
United States Court of Appeals
For the Ninth Circuit

VOLKSWAGENWERK AKTIENGESELLSCHAFT,
Appellant,

against

DOUGLAS D. CHURCH, doing business as
MODERN SPECIALIST,
Appellee.

BRIEF FOR APPELLANT

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BRIEF FOR APPELLANT

Jurisdictional Statement

This is an appeal by Volkswagenwerk Aktiengesellschaft ("VWAG") from a judgment of the United States District Court for the Southern District of California, Central Division, rendered by the Honorable C. Nils Tavares and entered April 11, 1967, dismissing without costs a complaint for trademark infringement and unfair competition (CT 175-176).*

VWAG, referred to hereinafter for convenience as plaintiff, is a corporation of the Federal Republic of Germany with its principal place of business at Wolfsburg, Germany (CT 138). It is the source of products and services identified in the United States—as they are throughout the world—by the word "Volkswagen." In this country such services are rendered by American concerns, independently

* The initials "CT" designate the "Transcript of Record" prepared by the Clerk of this Court. The initials "RT" refer to the "Reporter's Transcript of Proceedings" in the United States District Court. The abbreviation "P. Ex." signifies exhibits filed in the court below by plaintiff-appellant and "D. Ex." those introduced by defendant-appellee.

owned but operating under plaintiff's aegis. Plaintiff has registered "Volkswagen" as its trademark in the United States Patent Office (CT 139). As the court below found, the goodwill inhering in this term as a trade name, trademark and service mark belongs to plaintiff (CT 143).

Douglas D. Church, defendant-appellee, referred to hereinafter as defendant, is a citizen of the State of California (CT 138-139). Shortly after leaving high school, he went into the business of repairing Volkswagen and Porsche automobiles in Long Beach, California. Since he first opened his shop he has made generous use of plaintiff's mark "Volkswagen" to identify his business and his services. Among other things, he adopted initially as his trade name "Modern Volkswagen Porsche Service" (CT 145). Although, in response to plaintiff's protests, he technically changed this business identification, he refused to modify or alter his claim to provide "Volkswagen * * * Service," and deliberately invited plaintiff to bring the present proceeding to establish its rights.

The complaint, which was brought under both federal and local law, invokes the jurisdiction of the District Court under the Trademark Act of 1946, 60 Stat. 427 (1946), as amended, 15 U.S.C., sections 1051 *et seq.*, and under treaty; it also relies on the diversity of citizenship of the parties (CT 2). Plaintiff requests the court to enjoin defendant from using "Volkswagen" as a trade name or service mark to identify himself and his services, or in the fashion of authorized Volkswagen service facilities. It asks that he be permitted to use this term only descriptively to refer to genuine Volkswagen products (CT 2-13). An accounting is also sought, but this request has not been pressed. Defendant's answer denies generally the allegations of the complaint and, among other things, attacks the validity of "Volkswagen" as a trademark (CT 14-21).

After a seven day trial, Judge Tavares filed his decision on June 20, 1966 sustaining the validity of "Volkswagen" as a trademark, but concluding that defendant had not

infringed it (CT 83-96). Formal findings of fact and conclusions of law were filed on April 11, 1967 (CT 137-153).*

The District Court had jurisdiction over plaintiff's complaint and this Court has jurisdiction to review the judgment dismissing that complaint under the following statutory provisions and treaties:

(1) Section 39 of the Trademark Act of 1946 (popularly known as the Lanham Act), 15 U.S.C., section 1121, vests original and appellate jurisdiction in the federal courts over any action arising out of violation of its prohibitions against trademark infringement and unfair competition "without regard to the amount in controversy or to diversity or lack of diversity of the citizenship of the parties." The trade names, trademarks and service marks which defendant is infringing are employed in interstate and foreign commerce and are the subject of federal registrations (CT 139). Accordingly, plaintiff is entitled to invoke the remedies provided by the Lanham Act, which include injunctive relief against "[a]ny person who shall, without the consent of the registrant * * * use in commerce any reproduction * * * of a registered mark in connection with * * * any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C., sections 1114, 1116.

The same remedy is given with respect to unfair competition affecting "trade names or commercial names," whether or not they form parts of marks. 15 U.S.C., section 1126.

(2) As a national of the Federal Republic of Germany, plaintiff can claim the protection of its rights promised

* The "Transcript of Record" includes not only the lower court's findings of fact and conclusions of law (CT 137-153) but also those proposed by defendant in June 1966 (CT 166-173) and in October 1966 (CT 154-164).

by the International Convention for the Protection of Industrial Property, signed at Paris on March 20, 1883, 13 U.S.T. & O.I.A. 25 (1958), as implemented by the Lanham Act, 15 U.S.C., section 1126(b), (g) and (h).

(3) Pendent jurisdiction also exists under section 1338(b) of the Judicial Code, 28 U.S.C., section 1338(b).

(4) Finally, there is jurisdiction under 28 U.S.C., section 1332, because of the diversity of citizenship of the parties found by the court below. Plaintiff is a German corporation and defendant is a citizen of California and the value of the goodwill involved is substantially in excess of \$10,000 (CT 138-139, 143).

Jurisdiction over this appeal is conferred on this Court by 28 U.S.C., section 1291, which plaintiff has invoked by timely notice of appeal filed May 8, 1967 (CT 177).

Treaty and Statutes Involved

Pertinent extracts from the treaty and statutes involved in this proceeding are reproduced in Appendix A.

Statement of the Case

In the main, the basic facts are not in dispute, although plaintiff challenges some of the factual and legal conclusions drawn by the court below from them. Accordingly, we refrain from restating in any detail the evidence underlying findings not in controversy.

"Volkswagen" is Plaintiff's Trade Name, Trademark and Service Mark

Rising as a phoenix from the ashes of Nazi Germany, VWAG, a postwar creation of the Federal Republic of Germany, has become the leading automobile manufacturer in its own country, a world-wide exporter of automobile

products, parts and accessories and the parent of sales and service organizations blanketing large portions of the globe [P. Ex. 9E, Nelson, *Small Wonder: The Amazing Story of the Volkswagen*, 114-116, 140 (1965)].* Throughout the world, the German word "Volkswagen" has become synonymous with plaintiff, its products and its services.

In the United States plaintiff registered "Volkswagen" as its trademark in 1955 (P. Ex. 1) and five years after the trademark was accepted for registration plaintiff filed the affidavits (CT 139) which by statute make the registration both "incontestable" and "conclusive evidence of the registrant's exclusive right to use the registered marks in commerce" (15 U.S.C., sections 1065, 1115). Since 1956, to quote the findings below, the mark "Volkswagen" and plaintiff's related marks, the initials "VW" and the encircled "VW" emblem,** have been "extensively used and * * * advertised and publicized in the United States * * * as trademarks on and for Volkswagen Products and as service marks for services furnished in connection with the maintenance and repair of Volkswagen Products" (CT 139-140).

Approximately eight hundred seventy-five United States enterprises dealing directly with the public were authorized at the time of trial to use "Volkswagen" to identify their business and services (CT 140). Eighty-one of these were located in Southern California and Arizona (*ibid.*). Detailed control over the nature and quality of the services sold by these businesses is maintained through a series of interlocking franchise agreements radiating out from plaintiff's wholly owned subsidiary, Volkswagen of America, Inc. ("VWoA") (*ibid.*).

* By stipulation of the parties in the court below (Ct. Ex. 1), any facts stated in the book *Small Wonder* may be considered as evidence of such facts in this case (RT 826-828, 845-848).

** The "encircled 'VW' emblem" consists of the letters "VW" superimposed upon one another and framed by a circle.

“Volkswagen” Identifies Authorized Volkswagen Sales and Service Facilities

Each franchised Volkswagen sales and service establishment is not only authorized, but required, to identify its premises by displaying the word “Volkswagen” and other Volkswagen trademarks (CT 141). It is encouraged to identify its facilities by stretching out across the front of its premises the word “Volkswagen” in a distinctive style of lettering (known as “Memphis Bold”), and in a blue color against a white background (P. Ex. 68c, “Official Volkswagen Name Identification”; RT 229-231, 319-320). It also will normally display on top of a pole another of plaintiff’s trademarks, the encircled “VW” emblem (P. Ex. 68c, “What’s White and Blue and Read all Over? * * *”; RT 319; CT 141). The word “Volkswagen” may also be displayed elsewhere on the dealer’s premises, not necessarily in Memphis Bold lettering, sometimes alone and sometimes to modify “Parts” or “Service” (*e.g.*, P. Ex. 69e; D. Ex. A2; RT 469).

VWoA recommends that the premises of Volkswagen dealerships be painted white on the outside and that the signs used on them be in blue (P. Ex. 68d; RT 234-237). This is the same color scheme—blue and white—used in displaying the Volkswagen trademarks (P. Ex. 68c).

However, as the court below noted, there are a “substantial number” of older Volkswagen dealerships housed in buildings which do not conform to the Volkswagen style and which are consequently not “distinguishable by their mere physical facilities, size, style or coloring of lettering, from the establishments of unfranchised businesses dealing with the sale or repair of Volkswagens” (CT 143-144).

Many Volkswagen dealers, between 150 and 200, are also authorized to handle Porsche cars and display a “Porsche” sign or other identification in addition to plaintiff’s trademarks (CT 141).

What is "Volkswagen Service"

The findings made below reflect the expense and effort that have gone into establishing and maintaining the high quality of the services sold under the "Volkswagen" service mark. Dealers licensed to do business under this mark, the court below found,

"are especially equipped and trained * * * to sell, service and repair Volkswagen Products. For this purpose each licensee receives special tools and service literature and some of his personnel are generally given individual, specialized training. Other assistance is provided through visits, meetings, lecture material and other aids" (CT 140).

Constant surveillance is maintained to ensure that dealers are meeting their obligations regarding service (CT 140-141). To quote the court below again:

"Each dealership is visited more or less regularly for this purpose by representatives of VWoA and of the local distributor and reports are filed regarding facilities, personnel, organization, quality control, distribution of work, customer relations (which includes such matters as what records the dealer maintained and what arrangements he made to accommodate the customer) and performance. Specific recommendations and suggestions are made to the dealer on the basis of these reports" (CT 141).

The parts used by authorized service facilities are also controlled. No part not sold or approved by plaintiff or VWoA may be used if necessary to the operation of the vehicle and inferior to a genuine Volkswagen part (CT 141-142).

The Goodwill Created for Volkswagen Products and "Volkswagen Service"

To acquaint the American public with the character of the products and services sold under the "Volkswagen" mark, over fifty-five million dollars had been spent up to

the trial for advertising and promotion (CT 142). One of the purposes of this advertising, as the court below found, is to acquaint the public with the efforts plaintiff makes to maintain a high level of service at the facilities authorized by it to render Volkswagen service (*ibid.*). For example, in December 1964, national coverage was given the picture of a Volkswagen vehicle being towed over the caption "What if it Poops Out in Paducah?" (P. Ex. 10dd, P. Ex. 10ee). Part of the text of this advertisement read "So if you want to find out how good VW service is, break down and call us." Similar advertisements appear regularly in such magazines as Life, Look, Time, New Yorker, Sunset, Saturday Evening Post and Newsweek (P. Exs. 10f-10ee, 10d, pp. 1-2; CT 142).

Special promotional material given purchasers of Volkswagen automobiles tells this selective audience of the special equipment employed by the "VW Service Shop," the quality control exercised over repair parts, the instruction and training received by the mechanics employed by authorized dealers and the thoroughness of "Volkswagen Service" (CT 142).

On promotional and other material issued by plaintiff or by VWoA and in advertising done by the latter, the trademark "Volkswagen" or its trademarked abbreviation "VW" identifies services performed by the authorized domestic Volkswagen organization and such services are referred to simply as "Volkswagen Service" or "VW Service." The court below so found, noting, however, that there is no proof that the recommended format is always followed (CT 142).

The success which the products and services sold under the Volkswagen trademark enjoy reflects the goodwill which has been built up for both. Sales of the car have climbed steadily. In 1964, the last complete year prior to trial, approximately 330,000 cars manufactured by plaintiff were sold in this country (CT 143). Total exports to the United States by that year exceeded 1,600,000 units (*ibid.*).

The volume of services identified by the Volkswagen trademarks has kept close pace with sales figures. Thus, for example, in Southern California, Arizona and Hawaii, out of 172,541 Volkswagen vehicles in operation, 160,397, or better than ninety percent, are owned by regular customers of authorized service facilities (CT 143).

As the court below found:

“Very substantial good-will has been built up for the term ‘Volkswagen’ and plaintiff’s other trademarks and the value of such good-will is substantially in excess of \$10,000.” (*ibid.*).

Credit for the acceptance Volkswagen has received in the American market is due to the constant emphasis placed on the provision of reliable, inexpensive service [RT 95-97; P.Ex. 9e, Nelson, *Small Wonder, The Amazing Story of the Volkswagen*, 157 (1965)]. As is impressed on each member of the authorized Volkswagen organization in its franchise agreement, plaintiff’s consistent and fundamental policy is to combine into an integral whole a top-flight product with inexpensive, high-quality service (*e.g.*, P. Ex. 5e, p.i., P. Ex. 6e, p. 1).

Defendant’s Use of “Volkswagen” and “Volkswagen Service” To Identify His Business and His Services

Inevitably, the goodwill built up for Volkswagen products and services has attracted other persons. Airline pilots flying between this country and Europe bring in Volkswagen cars for resale which they pick up from unidentified sources (RT 446-447). European manufacturers export replacement parts for Volkswagen vehicles to jobbers (RT 624, 639-640). Mechanics, self-trained or with some experience within the Volkswagen organization, start their own garages specializing in repair of Volkswagen cars (RT 638, 1074-1075). Neither plaintiff nor anyone within the Volkswagen organization, of course, has any control over the quality of the goods and services sold by these various entrepreneurs. Many persons patronize these

establishments in the belief that they are dealing with authorized facilities and vent their dissatisfaction on members of the authorized Volkswagen organization (RT 1070-1078).

"Modern Volkswagen Porsche Service"

In 1958 defendant was among the persons attracted by the growing success of the Volkswagen organization. He was then twenty years old, a high school graduate with little more than three years of automotive experience (RT 858-861). As the dominant feature of the trade name for his infant business, Church took plaintiff's trademark "Volkswagen" and styled himself "Modern Volkswagen and Porsche Service" (P. Ex. 12; CT 145).

Plaintiff did not learn of this casual adoption of its hallmark until 1959 when Church, prospering, moved to his present location on Cherry Avenue in Long Beach where he occupies a modern building painted light tan and carrying a sign in black letters (RT 858-859, 882-884). These new premises were publicized in a quarter-page advertisement in the local telephone directory featuring prominently the name "Modern Volkswagen & Porsche" and plaintiff's trademark, the encircled "VW" emblem (CT 146; P. Ex. 11b).

On October 16, 1959 plaintiff's attorneys wrote the first of many letters to Church (P. Ex. 27). This letter requested him to discontinue his use of any trade name incorporating the "Volkswagen" trademark, to destroy the stationery on which it appeared and to revise his telephone advertising in future directories to eliminate his infringement of the word "Volkswagen" and the encircled "VW" emblem (*ibid.*).

Church made no reply to this request nor to a second which followed it (P. Ex. 28), until plaintiff's attorneys, on December 1, 1959, advised him that the matter was to be referred to local counsel for suit (P. Ex. 29). On De-

cember 4, 1959, Church, acting through counsel, acknowledged plaintiff's protests (P. Ex. 30). In his letter, counsel declared that "he [Church] has never desired to represent his business as being an authorized service agency for the Volkswagen automobile" (*ibid.*). Use of the encircled "VW" emblem in his telephone advertisement was said not to have been authorized by him (CT 146). At the same time, the attorney for Church undertook that his client would change the trade name of his firm to "Modern Specialists." In addition, Church promised, through his lawyer, that "his next telephone listing, letterheads, invoices and business cards will make it clear that his firm is independent of the Volkswagen organization" (P. Ex. 30). Samples of this material were promised to be submitted as received from the printers.

Describing defendant as "anxious to avoid any trademark rights" of plaintiff, his attorney requested and received copies of the Patent Office registrations covering the word "Volkswagen," the letters "VW" and the encircled "VW" emblem (P. Exs. 32-33).

But, despite a renewed demand by plaintiff (P. Ex. 35), new business stationery making clear defendant's lack of connection with the authorized Volkswagen organization was never forthcoming. Nine months after Church had promised to change his trade name, investigation disclosed that he was still doing business under the name "Modern Volkswagen and Porsche Service" and that this was the name on file for his concern in the office of the Los Angeles County Clerk (P. Ex. 36).

Defendant was advised that unless his infringement of "Volkswagen" was brought to an end, suit would be brought. He was asked to discontinue the practices referred to in the correspondence and to file a "Certificate of Abandonment of the Certificate of Doing Business Under Fictitious Name" (*ibid.*).

Thereupon defendant formally adopted the trade name "Modern Specialist" and filed a certificate that he was doing business under this name (P. Ex. 37, D. Exs. D, E1,

E2). But he continued to employ the ostensibly abandoned trade name as his principal business identification.

As late as 1963, his pickup truck, as the court below found, still carried on its side, against a white background, the inscription "Modern Volkswagen Porsche Service" (CT 146; P. Ex. 16; RT 888-889). On the door of the truck and less conspicuously appeared Church's new trade name "Modern Specialist" (*ibid.*). Nowhere on the truck was there any intelligence to alert anyone that the business with which the truck was connected was "independent of the Volkswagen organization."

Only after plaintiff, early in 1963, specifically protested the language on the truck, did Church repaint it (P. Exs. 57-59). He then changed its color to gray and rewrote the inscription on its side to read:

"Independent Volkswagen—Porsche Servicing"
(P. Ex. 59, D. Ex. B3; RT 889).

His business premises continued to be identified as "Modern Volkswagen Porsche Service" until this proceeding was filed. We quote from the findings below:

"After defendant, in 1960, formally altered his trade name to 'Modern Specialist,' he continued to use his former appellation prominently in his business.

Until some time subsequent to the filing of the complaint herein, the designation 'Modern Volkswagen Porsche Service' dominated his building: being stretched across its facade in large, black letters running the full width of his premises." (CT 146).

Church's official trade name "Modern Specialist" appeared in much smaller letters on one of four signboards on a pole at the front of his premises (CT 147, 153; P. Exs. 14, 15). Neither on the pole sign, nor on any other of the signs identifying his premises to the public, did the word "independent" appear. This was added only after suit was brought (CT 147-148).

“Volkswagen Service”

Early in 1962 plaintiff discovered that Church had never carried out his 1959 promise that his “telephone listing, letterheads, invoices and business cards will make it clear that his firm is independent of the Volkswagen organization” (P. Ex. 41).

His quarter-page advertisement (P. Ex. 11d; CT 146) in the local classified telephone directory was headed at this time:

“VOLKSWAGEN

AND

PORSCHE

REPAIRING & SERVICE.”

Similarly, Church’s repair order form (P. Ex. 18) was captioned:

“Volkswagen & Porsche Service.”

His 1962 business card (P. Exs. 19b, 47) had as its most prominent feature an oval carrying the words:

“VOLKSWAGEN
PORSCHE SERVICE”

In very tiny letters, immediately above the oval appeared the word “independent.”

On March 7, 1962 plaintiff’s counsel wrote to Church protesting his use of the phrase “Volkswagen Service” and enclosing a detailed explanation of how Church could indicate without infringing plaintiff’s marks that he repairs and services Volkswagen automobiles (D. Ex. C). The enclosure stated that plaintiff would object to any use of the word “Volkswagen” alone, or as part of a trade name, and to phrases such as “Volkswagen Service” or “Volkswagen Repairs,” but not to its use to refer to genuine Volkswagen products as, for example, “Repair

of Volkswagen Cars” or “Service for Volkswagen Automobiles” (*ibid.*).

Lengthy correspondence followed (P. Ex. 39—P. Ex. 64) which produced the modifications, described below, in defendant’s directory advertising and business cards, but none at all in his repair order form.

Defendant’s business card was altered to read in small letters and immediately below his trade name:

“Independent Volkswagen—Porsche Service”

(P. 19d; RT 892). However, Church flatly refused to make any comparable change in his repair order form. Through his attorney he took the position that he was entitled to use the expression “Volkswagen & Porsche Service” as it then appeared on his form, without qualification or explanation (P. Exs. 49, 52, 54). Church’s attorney stated unequivocally that he did not deem plaintiff’s rights infringed by this language and advised plaintiff that he was prepared to defend his position should plaintiff “feel the necessity of litigating this question” (P. Ex. 54).

In consequence, as the court below found (CT 147):

“When the complaint herein was filed the word ‘Independent’ did not appear anywhere on defendant’s repair order form, which was headed

‘Modern Specialist

Volkswagen & Porsche Service.’ ”

“An Independent Volkswagen & Porsche Service Center”

Over the objections of plaintiff’s counsel, Church in 1962 began using the directory advertisement which he has employed ever since (CT 96, 146-147; D. Ex. F, P. Exs. 11e-11g, 49-54; RT 879-880). This advertisement appears on or opposite the page in the telephone directory at which the listings for “Automobile Repairing and Service” begin and where it is best calculated to catch the eye of

the tourist in the Long Beach area requiring service for his Volkswagen vehicle (P. Exs. 11e-11g).

The silhouettes of two cars occupy the lower third of the advertisement immediately above defendant's trade name, "Modern Specialist," in small letters. One of the pictured cars is instantly recognizable as the small Volkswagen sedan, an outline known the world over (CT 147). In the center of the advertisement appears the phrase "Complete Stock Factory Parts." Dominating all else, and in letters at least twice the size used for defendant's trade name, is printed the following:

"AN INDEPENDENT
VOLKSWAGEN
& PORSCHE
SERVICE CENTER."

Plaintiff advised defendant that this expression "would deceptively create the false impression that Modern Specialist offers services having the authorization or approval of our client" (P. Ex. 53). Nevertheless, the advertisement continues to this day unchanged.

"Volkswagen"

Although defendant had been advised in 1962 that he would be infringing the mark "Volkswagen" if he employed it alone (D. Ex. C), the pole sign in front of his premises when the complaint herein was filed carried a signboard reading simply "Volkswagen" (P. Exs. 14, 15; CT 147, 153). Another like it bore the word "Porsche." Two others carried defendant's trade name "Modern Specialist" and, in smaller letters, the word "Repair" (*ibid.*). Because of the thickness and size of the letters used for "Volkswagen," this word stood out clearly and boldly from its surroundings (P. Exs. 14-15).

Although counsel for Church advised plaintiff on March 14, 1963 that the pole sign would be altered and that the word "independent" would be painted on a signboard to

be placed immediately above the word "Volkswagen" (P. Ex. 60), this was never done (RT 885-887; D. Ex. B2). The sign remained unchanged until the complaint herein was filed (CT 147).

Use of "Independent" Prior to This Litigation

To recapitulate: when this proceeding began, defendant's premises were identified by signs reading "Modern Volkswagen Porsche Service" and "Volkswagen"; his repair order form carried the caption "Volkswagen & Porsche Service"; neither signs nor form contained any language disclaiming affiliation with authorized Volkswagen facilities.

Such use as Church was then making of "independent" was only in connection with peripheral aspects of his business, and even that little was due almost entirely to specific demands from plaintiff. When plaintiff first discovered in 1962 that defendant was not carrying out his 1959 promise to make clear his lack of identification with the Volkswagen organization, the word "independent" appeared only in tiny letters on his business card.

In October 1962, as part of the legend "An Independent Volkswagen & Porsche Service Center," the word "independent" entered Church's telephone advertising (CT 148), and in 1963, when he repainted his truck, it was added there also (CT 148).

When litigation with plaintiff appeared inevitable and, in fact, was deliberately invited by defendant in August 1962 to vindicate his right to use the expression "Volkswagen * * * Service," some further use was made of "independent." As the court below found:

"After defendant had advised plaintiff that he would make no change in his repair order form and that he was prepared to defend his position in court, he began to employ a number of promotional devices containing, with minor differences in phraseology, the words 'Independent Volkswagen & Por-

sche Service.' Among the items of this character are a paper napkin left in a customer's car to wipe up grease spots, a plastic litter bag, a matchbook, a pen and a pencil" (CT 148).

Both the napkin and the matchbook show blue lettering against a white background (P. Exs. 24, 21). The napkin (P. Ex. 24), except for the omission of a little manikin built around the encircled "VW" emblem and the Porsche shield, is a duplicate of the ones employed by authorized Volkswagen service centers at the recommendation of VWoA (P. 69i; RT 247-248).*

To what extent these promotional devices were used, the record does not indicate. While every customer necessarily saw Church's signs and invoices, only those who happened to receive one of these promotional items or a business card, or who had recourse to a telephone book, would ever have seen "independent" used in conjunction with Church's business prior to suit.

Changes in Defendant's Use of "Volkswagen" After the Complaint Was Filed

Subsequent to the initiation of this proceeding, defendant eliminated some of his more objectionable practices.

Although earlier Church's counsel had been adamant that no change would be made in defendant's invoice, the court below found:

"After this proceeding began, defendant made changes in his repair order form in that before the printed words 'Volkswagen & Porsche Service' the word 'Independent' was added with a rubber stamp and a different size type from the printed material * * * " (CT 148).

Comparable changes were made in the signs identifying defendant's premises to the passing motorist.

* The court below, however, found, we believe erroneously, that neither the color nor the lettering on the napkins is similar to that adopted by plaintiff (CT 149).

“After the complaint herein was filed, the word ‘Independent’ was substituted for the word ‘Modern’ on the sign across the facade of defendant’s building, changing it to read ‘Independent Volkswagen Porsche Service’ and the signboard on the pole sign reading ‘Volkswagen’ was painted over, leaving the space blank” (CT 147).

Both changes bear the indicia of purely temporary accommodations to the exigencies of this litigation. No business first prints, then overprints, its stationery. The court below suggests that this was “evidently an attempt to save reprinting his existing supply of printed forms” (CT 148). But if this were the case, why at the trial, more than a year after the complaint was filed, was Church, according to his testimony (RT 881-882), still simply stamping on the word “independent”? Similarly, a bare signboard can scarcely be intended to be permanent. As the pole sign stood at the time of trial, it inaccurately and imperfectly described defendant’s business: it disclosed nothing regarding his principal occupation, the repair of Volkswagen vehicles.

The Proceedings Below

From the outset of this litigation, Church strenuously contested plaintiff’s right to relief. His answer attacked the validity of “Volkswagen” as a trademark (CT 17-18), claimed the reputation in California of authorized Volkswagen service to be poor (CT 16) and denied generally the allegations of the complaint (CT 14). At the trial defendant endeavored to establish, among other things, that his facilities can be distinguished from authorized facilities because they are not blue and white, do not employ “Memphis Bold” lettering and are identified as “independent.”

Church, who took the stand to testify regarding his advertising, business cards and signs, was not asked and said nothing as to his future intentions (RT 857-916, 941-956, 1007-1051). His position throughout has been

that, except possibly for his initial adoption of the trade name "Modern Volkswagen and Porsche Service," nothing he has done has violated any right of plaintiff. At the trial he flatly took the position that he had a right to use the term "Volkswagen Service" (RT 1017-1018).

On July 20, 1966 Judge C. Nils Tavares rendered his decision. The issue of validity of plaintiff's trademark "Volkswagen" he resolved in favor of plaintiff:

"[T]he evidence is clear that plaintiff's use of the term 'volkswagen' [*sic*], descriptive though it may be, has given the term a secondary meaning. * * * Accordingly, this Court finds that defendant is not free to make unlimited use of the term Volkswagen and that the plaintiff is entitled to what protection the law affords against the use of its trademarks" (CT 87).

The District Court's formal findings, filed on April 11, 1967, were even more explicit on this score. Judge Tavares found that "Volkswagen" is a registered trademark (CT 139); that such registration is in full force and effect, unrevoked and uncanceled; that five years after such registration went into effect plaintiff filed the affidavits provided for in sections 8(a) and 15 of the Lanham Act, 15 U.S.C., sections 1058(a) and 1065; that since at least 1956 "Volkswagen" has been the dominant word in plaintiff's own name and since April 1965 in that of authorized Volkswagen dealers in defendant's area (CT 139); that "Volkswagen" has been extensively used and advertised as a trademark for Volkswagen products and as a service mark in connection with the maintenance and repair of Volkswagen products (CT 139-140); and that the goodwill inhering in "Volkswagen" as a trade name, trademark and service mark, which the court found to be in excess of \$10,000, is the property of plaintiff (CT 143).

The attack defendant had made on the reputation of the local California Volkswagen dealers was disregarded in the decision and findings below, but defendant's third point was resolved in his favor.

Stating that defendant may not “mislead the public into believing that he is part of the plaintiff’s organization” (CT 87), the court below declared, in its decision, that defendant has avoided doing so by not using plaintiff’s “colors or style of lettering” and by giving “adequate prominence to the term ‘Independent’ in connection with every use of the name Volkswagen” (CT 90).

However, as the court’s findings reflect, not until after the complaint was filed did defendant employ the term “Independent” in connection with his use of plaintiff’s mark “Volkswagen” on his signs or repair order (CT 147). But what defendant had done prior to trial is treated as

“possibly immaterial in the light of this Court’s belief and finding that any such previous practices were not indulged in by the defendant with any belief on his part that the same constituted a violation of plaintiff’s rights or constituted unfair competition, and are not intended in the future to be indulged in by the defendant and this Court’s final conclusions, based primarily on what defendant was doing, or intended to do, at or after the time of the trial” (CT 145).

Furthermore, the findings also drain of any significance such differences as exist between the appearance of defendant’s premises and those of members of the authorized Volkswagen organization because the court finds that not all Volkswagen dealers conform to the general pattern so as to be distinguishable because of their style or coloring of lettering (CT 143-144).

Nevertheless, solely on defendant’s use of the word “independent,” the court adhered to its original determination that he adequately distinguishes his business from plaintiff’s organization (CT 148). Although Judge Tavares had explicitly found that the “good-will inhering in ‘Volkswagen’ as a * * * service mark is the property of plaintiff” (R. 143), he declared that plaintiff “does not have the exclusive right to the use of the wording ‘Volkswagen Service’ or ‘VW Service’” (CT 149). Concluding that defendant has not infringed any of plaintiff’s rights except

by his use "of the word 'Volkswagen' as part of his business name in 1958 and part of 1959 which use was in a proprietary sense instead of denotive sense," (CT 151) the court below dismissed the complaint (CT 175-176).

Specification of Errors Relied Upon

I.

The court erred in concluding as a matter of law that, with the exception of the use by defendant of the word "Volkswagen" as a part of his business name in 1958 and 1959, none of defendant's practices enumerated in the findings of fact, individually or collectively, infringe any of the rights of plaintiff.*

II.

The court erred in failing to find that defendant has infringed and is still infringing plaintiff's trade name, trademark and service mark "Volkswagen" by using it in the manner of a trade name and service mark to identify his business and services to the public in the following ways, among others: identifying his business by the legends "Modern Volkswagen and Porsche Service," "Independent Volkswagen Porsche Service" and "An Independent Volkswagen & Porsche Service Center"; identifying his premises by displaying "Volkswagen" alone; and identifying his services as "Volkswagen Service" and "Independent Volkswagen Service."

III.

The court, having found that the goodwill inhering in "Volkswagen" as a trade name, trademark and service mark is the property of plaintiff, erred in finding that plaintiff does not have the exclusive right to use of the terms "Volkswagen Service" and "VW Service."

* These specifications are based upon the "Statement by Plaintiff-Appellant of Points on Appeal." The issues, however, have been transposed and rephrased to correspond with their treatment in the argument which follows.

IV.

The court erred in not finding that defendant, in employing plaintiff's trade name, trademark and service mark "Volkswagen" to inform the public that he sells services for Volkswagen vehicles and in advertising and identifying his services as "Independent Volkswagen Service," failed to discharge the duty the law imposes to take reasonable precautions to avoid confusion with "Volkswagen" facilities and "Volkswagen Service."

V.

The court erred in finding the defendant has made reasonable efforts to meet plaintiff's objections to his use of its name and mark "Volkswagen" and that he has avoided creating the impression that he is part of the Volkswagen organization.

VI.

The court erred in finding that a napkin used as a promotional device by defendant differs in lettering and coloring from that used by authorized Volkswagen facilities.

VII.

The court erred in concluding that use of a blue and white color scheme or Memphis Bold style of lettering by a garage specializing in the service of Volkswagen vehicles is not necessarily unfair competition.

VIII.

The court erred in not granting plaintiff an injunction against practices which the court found were still being engaged in by defendant at the time the complaint herein was filed, even if, as the court concluded, his present practices were unexceptionable.

IX.

The court erred in finding that defendant acted in good faith in the use of the plaintiff's name and mark "Volks-

wagen" and does not intend in the future to repeat his past practices.

X.

The court erred in denying plaintiff the relief prayed for in the complaint and in not enjoining defendant from employing "Volkswagen" as a trade name or service mark or in the style of authorized Volkswagen repair and service facilities.

XI.

The court erred in dismissing the complaint herein.

Summary of Argument

I.

The symbol with which the public identifies plaintiff and the services sold under its aegis is "Volkswagen." The goodwill inhering in this term as a trade name, trade mark and service mark is due solely to plaintiff's efforts and expenditures and belongs exclusively to plaintiff. Other persons may use "Volkswagen" descriptively to tell the world that they service products sold under that mark, but no one else may use it in the fashion of a trade name, trademark or service mark, regardless what qualifying language is added. Accordingly, the court erred, as a matter of law, in declaring that plaintiff "does not have the exclusive right to use of the wording 'Volkswagen Service' or 'VW Service.' "

Defendant is using "Volkswagen" as a trade name and service mark to identify himself and his services when he describes his business as "Modern Volkswagen Porsche Service," "Independent Volkswagen Porsche Service" and "An Independent Volkswagen Service Center"; dubs his services "Volkswagen Service" and "Independent Volkswagen Service"; and identifies his premises with a sign reading "Volkswagen." Therefore, the court below erred in acquitting defendant of any infringement of plaintiff's name and marks.

II.

Even if defendant were using "Volkswagen," not as a trade name or service mark, but simply descriptively, he has not discharged the duty the law imposes to avoid trespassing on plaintiff's goodwill. Mistakenly the court below thought that the law required no more than that defendant, in informing the public that he specializes in repairing Volkswagen vehicles, not "mislead the public into believing that he is part of the plaintiff's organization" (CT 87). In fact, the law imposes a very different and more positive obligation. It is not enough that nothing be done to mislead the public. What the law requires is affirmative conduct to avoid confusion. There is a "duty to explain." Had the court below applied the proper test to defendant's conduct, it could not have concluded, as it did, that defendant's current signs and advertising do not constitute trademark infringement and unfair competition. The ambiguous word "independent," with its multiple meanings, does not constitute the clear and unmistakable disclaimer of connection between defendant and plaintiff necessary to dissipate the likelihood of confusion which defendant creates by claiming to be selling "Volkswagen Service."

III.

Numerous errors stud the court's formal findings of fact and conclusions of law. They relate to the use of "Volkswagen Service" by unauthorized repair facilities, the significance of the word "independent" and "authorized," defendant's response to plaintiff's objections to his use of "Volkswagen," a promotional device used by defendant and the use of "Memphis Bold" and blue and white. Some are erroneous because they are based upon insufficient evidentiary support while the balance involve errors of law.

IV.

Finally, since defendant did not consistently employ "independent" in conjunction with "Volkswagen Service" until after plaintiff appealed to the courts for relief, the

court below erred in dismissing the complaint and denying plaintiff injunctive relief, even under the view it took of the law.

Not until after the complaint herein was filed did defendant discontinue identifying his premises as "Modern Volkswagen Porsche Service," recognized by the court below to be improper, cease describing his services as "Volkswagen * * * Service," discontinue his display of the word "Volkswagen" alone and preface each use of "Volkswagen" with the word "independent."

Since defendant disputes the validity of plaintiff's marks, has given no assurance whatever against resumption of his prior practices and will necessarily be continuing to employ plaintiff's name and marks in connection with his business, plaintiff is entitled to a judgment vindicating its rights and prohibiting the repetition of infringements which ceased only under pressure of this litigation. Such relief is the more necessary because, due to the surrounding circumstances, there is great likelihood of recurrence.

ARGUMENT

I

The court below erred in sanctioning defendant's use of plaintiff's trade name and trademark "Volkswagen" as a trade name and service mark to identify his business and his services.

A.

Only plaintiff and its licensees may employ "Volkswagen" or "VW" as a trademark, service mark or trade name.

The court below misapprehended the consequences which the law attaches to its findings that since 1956 plaintiff "has extensively used and * * * advertised and publicized in the United States the word 'Volkswagen', [and] the letters 'VW' * * * as trademarks on and for

Volkswagen Products and as service marks for services furnished in connection with the maintenance and repair of Volkswagen Products" (CT 139-140); that, since that time at least, "Volkswagen" has been the dominant word in plaintiff's own name (CT 139); and that the "good-will inhering in 'Volkswagen' as a trade name, trademark and service mark is the property of plaintiff" (CT 143).

It is well settled, in fact, it is fundamental to the law of trademarks and unfair competition that it necessarily follows from these findings that only plaintiff and its licensees may use "Volkswagen" or "VW" as a trademark, trade name or service mark. No one else may employ "Volkswagen" for such purpose. The prohibition on use of "Volkswagen" as a trademark, trade name or service mark by others is absolute, regardless of any explanatory language or disclaimers with which it is coupled. While "Volkswagen" may still be used by Church in good faith as a description of his business and services, qualified properly so as not likely to create confusion, under no circumstances, whether coupled with "independent" or not, may it be used as a trademark is used, that is, as a symbol to attract public attention.

"The protection of trade-marks is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them. A trademark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same—to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trade-mark owner has something of value. If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress." *Mishawaka Rubber & Woolen Mfg. Co., v. S. S. Kresge Co.*, 316 U.S. 203, 205 (1942).

Both the findings and the results reached by the court below are incompatible with plaintiff's exclusive right to the commercial magnetism created for "Volkswagen" as a service mark. In square conflict is the court's statement in its findings that "Plaintiff does not have the exclusive right to the use of the wording 'Volkswagen Service' or 'VW Service' " (CT 149). This necessarily led to the court's erroneous conclusion that none of defendant's practices, except his use of " 'Volkswagen' as part of his business name in 1958 and part of 1959 * * * infringe any of the rights of plaintiff" (CT 151).

Insofar as this Court derives jurisdiction over this proceeding from the Lanham Act, federal law is controlling. Similarly, rights vindicated under the Court's diversity jurisdiction are governed by state law. *National Van Lines v. Dean*, 237 F.2d 688, 691 (9th Cir. 1956). Since diversity jurisdiction is present here, the court below deems state law to govern also to the extent that pendent jurisdiction is involved (CT 86).

So far as our research has disclosed, California* and federal law are in total agreement on the relevant principles applicable to this proceeding. Both rely on the same common-law doctrines and have evolved similarly. Accordingly, we have drawn on precedents from both sources.

B.

**Use of a trademark, service mark or trade name to
denominate or identify particular goods, services
or business is reserved exclusively to
the owner.**

Virtually all words employed as trademarks are susceptible of two distinct uses. One is to denominate or name a definite species of commodity or services or a particular business. Thus " 'Kodak' stamped upon a camera, 'Kodak' used as the flare-head in an advertise-

* Certain basic principles are codified in the California Business and Professions Code, the relevant sections of which are reproduced in Appendix A.

ment of the same article, 'Kodak' in a price-list enumerating different brands of cameras, are all examples of denominative uses of the term 'Kodak'." Handler and Pickett, *Trade-Marks and Trade Names*, 30 Colum. L. Rev. 168, 170 (1930).

The same word may, however, be used as descriptive of the qualities of a product rather than indicative of its source, as, for example, "Our cameras are made according to the Kodak principle." *Ibid.* Use of this word in this second, or descriptive, sense is open to the whole world, subject to the obligation, which we discuss below (pp. 51-53, *infra*), to take reasonable precautions to avoid confusion of the public.

But only the owner of the mark or name may employ it in the first, or denominative, role. Anyone else who uses it as the name of, or the means of identifying his goods, services or business, or even in such a way that prospective purchasers are likely to regard it as being used for such purpose, invades the exclusive right to use of the owner of such mark or name. Restatement, Torts, sections 727, 717 (1938); *Baglin v. Cusenier Co.*, 221 U.S. 580, 600 (1911); *Celluloid Mfg. Co. v. Cellonite Mfg. Co.*, 32 Fed. 94 (Cir. Ct. N.J. 1887) (Bradley, J.); *Safeway Stores, Inc. v. Safeway Properties, Inc.*, 307 F. 2d 495, 499 (2d Cir. 1962).

Thus, for example, after "Tobasco" had gained goodwill as a trade name for a particular manufacturer's sauce, a subsequent manufacturer could not employ it to designate his product although he was permitted to state that his product was manufactured from tobasco pepper provided this was done in such manner as clearly to distinguish his sauce from the original. *Trappey v. McIlhenney Co.*, 281 Fed. 23, 25 (5th Cir. 1922); *McIlhenny v. Bulliard*, 265 Fed. 705 (W.D. La. 1920). And a reseller of shingles marketed under the trademark "Eternit" could not take as his trade name "Eternit Roofing Corporation." *American Insulation Co. v. Eternit Roofing Corp.*, 14 F. 2d 235 (E.D. N.Y. 1926).

The rationale underlying the distinction drawn by the courts between using a word as a trademark or trade name and employing it descriptively emerges most strongly in the early cases dealing with descriptive or geographic terms from which the rule developed, that when a descriptive word has acquired a second meaning

“its use by another in this secondary sense will be restrained as unfair and fraudulent competition, and its use in its primary or common sense confined in such a way as will prevent a probable deceit by enabling one maker or vendor to sell his article as the product of another.” *Computing Scale Co. v. Standard Computing Scale Co.*, 118 Fed. 965, 967 (6th Cir. 1902).

No more than a brewer located in Stone could call his brew Stone Ale, nor a manufacturer in Waltham identify his watches as Waltham Watches, can anyone other than plaintiff selling services for Volkswagen vehicles advertise them as “Volkswagen Service.” *Thompson v. Montgomery*, 41 Ch. Div. 35 (1888), *aff’d*, [1891] A.C. 217; *American Waltham Watch Co. v. United States Watch Co.*, 173 Mass. 85, 53 N.E. 141 (1899). Accord: *Elgin National Watch Co. v. Illinois Watch Co.*, 179 U.S. 665, 674 (1901).

C.

The prohibition against the trademark use of another’s name or mark is not affected by the addition of qualifying or explanatory language.

Because one person’s service mark, trademark or trade name may not be used to identify anyone else’s services, products or business to the public, it makes no difference what disclaimers or qualifying adjectives accompany such invasion of the first user’s exclusive preserve. Such disclaimers or qualifications are significant only as to the legitimacy of the use of another’s trademarks for the only purpose for which they may be used, which is not as a commercial symbol, but to convey information not otherwise communicable. Because, even in the case of such limited use, an affirmative duty exists to avoid confusion,

sought to cover their products, services and businesses with the commercial magnetism built up for the trade names and trademarks identifying the original manufacturers and their franchised dealers and facilities. Pursuant to the general principles just discussed, these efforts have been consistently repelled. Conceding the right of such traders to use the manufacturer's mark descriptively, the courts have unanimously held that neither the manufacturer's mark nor his name can be imitated or used as a trademark or service mark regardless what qualifications are added. The decision below is the first to reach a contrary conclusion.

Thus, a manufacturer or seller of replacement parts for a specific make of automobile engages in trademark infringement and unfair competition when the original manufacturer's trademark is used like a trademark, not simply descriptively to communicate the information that the parts will fit a specific make of automobile. *Metal Stamping Corp. v. General Motors Corp.*, 33 F.2d 411 (7th Cir. 1929); *Ford Motor Co. v. Wilson*, 223 Fed. 808 (D.R.I. 1915). See also, *Akron-Overland Tire Co. v. Willys-Overland Co.*, 273 F.2d 674 (3d Cir. 1921); *Duro Co. v. Duro Co.*, 27 F.2d 339 (3d Cir. 1928).

In *Ford Motor Co. v. Wilson*, *supra*, the defendant manufactured and sold various parts adapted for use in Ford automobiles which he advertised extensively, preceding the name of the part with the word "Ford." Issuing an injunction against these practices, the District Court said:

"While the defendant has a right to inform the public that he is manufacturing articles suitable for use on Ford machines, he should not be permitted to advertise them as Ford articles, but should be required to describe them in such a way as to indicate that they are not manufactured by the complainant.

* * *

While the defendant may have considered himself morally justified in calling these articles Ford

articles, because they were adapted for use in Ford machines, such an opinion would be erroneous, since, in common acceptance, the word 'Ford' would indicate, not merely adaptation to use in Ford machines, but articles manufactured by the complainant company." 223 Fed. at 808-809.

Similarly, defendant here has a right to inform the public that he is selling services for Volkswagen automobiles. He should not be permitted, however, to advertise what he is doing as "Volkswagen Service," but should be required to describe himself in such a way as to indicate that his services are not provided under the aegis of plaintiff.

In fact, this is the position the courts have uniformly assumed. Numerous decisions hold that a retail outlet or service station specializing in the sale or repair, or both, of the products of a particular automobile manufacturer engages in trademark infringement or unfair competition, or both, if he uses or imitates the manufacturer's name or mark in his trade name or uses such mark to identify himself or his services. *Ford Motor Co. v. Benjamin E. Boone, Inc.*, 244 Fed. 335 (9th Cir. 1917); *General Motors Corp. v. Smith*, 138 U.S.P.Q. 382 (S.D. Cal. 1963); *Volkswagenwerk G.m.b.H. v. Frank*, 198 F. Supp. 916 (D. Col. 1961); *General Motors Corp. v. Mac Co.*, 138 U.S.P.Q. 169 (D. Col. 1963); *Lincoln Motor Co. v. Lincoln Automobile Co.*, 44 F.2d 812, 818 (N.D. Ill. 1930); *Ford Motor Co. v. Helms*, 25 F. Supp. 698 (E.D.N.Y. 1938); *Volkswagenwerk Aktiengesellschaft v. Volks City, Inc.*, Civil No. 403-64, D.N.J., June 23, 1964, unreported opinion by Judge Meany, *aff'd*, 348 F.2d 659 (3d Cir. 1965); *Volkswagenwerk Aktiengesellschaft v. Dreer*, 253 F. Supp. 37 (E.D. Pa. 1966); *Ford Motor Co. v. Weibel*, 262 F. Supp. 932 (D.R.I. 1967); *Dayton v. Imperial Sales & Parts Co.*, 195 Mich. 397, 161 N.W. 958 (1917); *Fiat Societa Per Azioni v. Vaughan*, 7 Misc. 2d 4, 166 N.Y. Supp. 2d 39 (1957), *modified and aff'd*, 5 App. Div. 2d 821, 170 N.Y. Supp. 2d 627 (1st Dep't 1958).

In *Ford Motor Co., v. Benjamin E. Boone, Inc.*, *supra*, this Court reversed the dismissal of a complaint brought by the manufacturer of the Ford automobile to restrain as unfair competition the use made of its trademark and other practices engaged in by a reseller of its automobiles. The complaint, as summarized by this Court, charged that the defendants “maintain in a conspicuous place upon their business building the word ‘Ford’s’ ”; that the cans of automobile oil on their premises carried a poster with the word “Ford” thereon in a triangle imitative of plaintiff’s trademark and the words “Benjamin E. Boone & Co., Ford Agents, Portland, Oregon” at the bottom; that they tell prospective purchasers of Ford cars that they are Ford agents and that they obtain Ford cars in quantity from the plaintiff’s factories; and that the local telephone directory carried the following listing: “Boone, Benj. E. & Co., Ford Auto Agency, 514 Alder St., Main 3966.”

This Court held that the right of the defendants to advertise the availability of Ford cars at their premises did not sanction the use they were making of the Ford name and mark.

“It is too narrow a view to take of the scope of the doctrine of unfair competition to say, as is suggested, that there can be no unfair competition in such case because admittedly the defendants are selling genuine ‘Ford’ cars. If there is no advantage to them and no corresponding disadvantage to the plaintiff, why the pretense of being a Ford agency?”

* * *

‘A distinctive name of a place of business will be protected as a trade-name against use or imitation by others. Deceptive signs and names upon a place of business or deceptive dress of a store will be enjoined. The right to the exclusive use of a distinctive name or sign in a particular locality may be acquired.’ 38 Cyc. 826.

It is suggested in their brief that the defendants did not expressly claim or advertise that they were ‘agents of the Ford Motor Company.’ It is true that they did not, by advertisement or otherwise, make such claim with precision or in technical lan-

guage, but such a defense is as common as it is futile. As was said by Mr. Justice Bradley in *Celluloid Mfg. Co. v. Cellonite Mfg. Co.* (C.C.) 32 Fed. 97:

‘It is not identical with the complainant’s name. That would be too gross an invasion of the complainant’s rights. Similarity, not identity, is the usual recourse when one party seeks to benefit himself by the good name of another. What similarity is sufficient to effect the object has to be determined in each case by its own circumstances. We may say, generally, that a similarity which would be likely to deceive or mislead an ordinary, unsuspecting customer is obnoxious to the law.’ ” 244 Fed. at 338.

The word “Lincoln” having acquired a secondary meaning in the automobile trade, a used car dealer specializing in Lincoln automobiles was enjoined “from using ‘Lincoln’ in its corporate name or in any other manner that may tend to cause the public to believe that defendant is in any way connected with the plaintiffs.” *Lincoln Motor Co. v. Lincoln Automobile Co.*, *supra*. Such relief was held to be necessary to protect the goodwill and reputation of “Lincoln.”

“The adoption of ‘Lincoln’ as a part of its corporate name is about the strongest means defendant could adopt to cause confusion, as the public cannot be expected to differentiate between Lincoln Motor Company and Lincoln Automobile Company. There is no quarrel with defendant’s sale of used Lincoln cars as such, but with the fact that when defendant sells such car under the corporate name it has adopted it does not, so far as the public is concerned, sell it as its car, but rather as the property of the Lincoln Motor Company or of its authorized dealer, from whom the public has come to expect certain things and back of whom the public sees the Lincoln Motor Company.” 44 F.2d at 816.

All of the following trade names have been enjoined at the request of the automobile manufacturers owning the mark they infringed: “Weibel Ford Annex” [*Ford Motor Co. v. Weibel*, *supra*, 262 F. Supp. 932 (D.R.I. 1967)];

“Volks City, Inc.” [*Volkswagenwerk Aktiengesellschaft v. Volks City, Inc.*, *supra*, 348 F.2d 659 (3d Cir. 1965)]; “Smith’s Chevrolet Service” [*General Motors Corp. v. Smith*, *supra*, 138 U.S.P.Q. 382 (S.D. Calif. 1963)]; “Fiat Sales and Service” [*Fiat Societa Per Azioni v. Vaughan*, *supra*, 7 Misc. 2d 4, 166 N.Y. Supp. 2d 39 (1957), *modified and aff’d*, 5 App. Div. 2d 821, 170 N.Y. Supp. 2d 627 (1st Dep’t 1958)].

Incorporation of a manufacturer’s mark into a local company’s trade name is only one way, however, of misusing such mark to suggest a connection which does not in fact exist. Any use of such mark to identify another’s business or services is improper.

In *Dodge Bros. v. East*, 8 F.2d 872 (E.D.N.Y. 1925), a used car business engaged principally in the resale of used Dodge cars could not, the court said, call himself a “Dodge Dealer,” employ the words “Dodge Service” or “Dodge Service Station,” or reproduce the word “Dodge” in the distinctive letters and coloring used by plaintiff.

Similar limitations have been placed on the use of an automobile manufacturer’s mark by a garage or service station specializing in its repair. *Ford Motor Co. v. Helms*, *supra*, 25 F. Supp. 698 (E.D.N.Y. 1938); *General Motors Corp. v. Mac Co.*, *supra*, 138 U.S.P.Q. 169 (D. Col. 1963); *General Motors Corp. v. Smith*, *supra*, 138 U.S.P.Q. 382 (S.D. Calif. 1963).

In *Ford Motor Co. v. Helms*, *supra*, the plaintiff obtained relief against the display of the word “Ford” on a large, verticle neon sign in front of the defendant’s premises. Extending horizontally from the same sign, but in smaller letters, was the word “Repairs.” In granting the injunction the court stated:

“The plaintiff seeks to protect its recognized good-will and trade-marks from the loss that might come to it through the false assumption by the owners of cars of its manufacture, that the defendants maintain an authorized ‘service station’ where re-

pairs upon Ford cars are made by those who have been selected by the plaintiff as competent to do that; and where authentic parts of the plaintiff's manufacture are used for necessary replacements.

* * *

The integrity of such service stations is important alike to the users and to the manufacturers of any well-known make of cars, and consequently the interests of the latter are at stake in the preservation of that integrity.

It is equally clear that the defendants have the right to repair cars of the plaintiff's and others' manufacture, and to tell the public that such is their calling. But they may not do it under any guise which would create or reasonably tend to create the impression that they repair Ford cars only (if that is not the truth—and it was said not to be by their attorney at argument) as a Ford service station; or that they are authorized dealers in Ford cars." 25 F. Supp. at 699.

As this case recognizes, the integrity of authorized service facilities is important not only to the manufacturer, but to the public. It cannot be too often repeated that, as this Court noted in *Ford Motor Co. v. Benjamin E. Boone, Inc.*, *supra*, an automobile is not a sack of potatoes. If it is mishandled or improperly serviced, it can become a lethal instrument. It is, therefore, peculiarly important that the courts protect the public in their right to know to whom they are giving their patronage when they select a garage to service or repair their cars.

It is significant that the District Court in *Ford Motor Co. v. Helms*, *supra*, acted even though very clear language of disclaimer appeared below the display of the word "Ford" reading:

"We Repair Ford Cars And do not Act as Authorized Dealers."

The latter phrase, the court held, did not cure the invasion of plaintiff's rights since, due to "its relative

insignificance compared with the Ford sign, [it] might well escape the attention of all but the most alert of intending customers."

In parallel circumstances, similar disclaimers have also been held not to affect the automobile manufacturer's right to relief against misuse of his trademark or trade name.

In *Metal Stamping Co. v. General Motors Corp.*, *supra*, 33 F. 2d 411, 412 (7th Cir. 1929), the trademarks of the original manufacturer were affixed to hub caps sold as replacements. An injunction followed despite the fact that the "cards on which the hub caps were placed bore the printed statement that the maker was one of appellants." "Purchasers," the court observed, "may not notice the printing on the cards, and may act wholly upon the faith of the representation of origin which the name on the cap is likely to convey."

A decision of the highest court in Michigan involving the trademark "Imperial" is also instructive. *Dayton v. Imperial Sales & Parts Co.*, *supra*, 195 Mich. 397, 161 N.W. 958 (1917). In that case after the "Imperial Automobile Company," having manufactured several thousand automobiles, went out of business, two companies were organized for the purpose of selling repair parts for the Imperial automobiles in operation. Plaintiffs, who succeeded to the automobile company's interest in the name "Imperial" assumed the name "Imperial Automobile Parts Company." Subsequently two former employees of the Imperial factory formed a corporation under the name "Imperial Sales & Parts Company."

The very first use by the defendants of this name on their stationery was accompanied by a statement in the corner of the page reading, in red letters: "This company is in no way connected with the Imperial Automobile Parts

Company.” And the only circular sent out by the defendants included the following explicit disclaimer:

“Let us mention one fact: That we are not connected in any way with the Imperial Automobile Company, which has discontinued the manufacture of automobiles, the Standard Motor Parts Company, the Imperial Automobile Parts Company or any other person, firm or corporation.” 195 Mich. at 401; 161 N.W. at 959.

The trial court would have permitted the defendants to continue using the name “Imperial Sales & Parts Co.” if coupled at all times with a similar disclaimer of connection with plaintiff. The Supreme Court of Michigan disagreed, however, and held the plaintiff to be entitled to an absolute injunction against simulation of the earlier company’s trade name:

“Unquestionably defendants or any one else may legally engage in the business of repairing and supplying new parts to old automobiles as freely as they can go into the grocery business. It is also true that there is no law against their specializing in any particular make or model and so advertising, but they may not under an imitative, assumed name benefit themselves to the injury of a rival to whom the imitated name belongs * * *.” 195 Mich. at 404; 161 N.W. at 960.

In sum, then, the automobile cases apply the general principles earlier discussed. Specialization in the sale or repair of automobiles identified by a particular trademark and the accompanying right to advertise such specialization to the public does not excuse imitation of the automobile manufacturer’s trade name or use of his mark as a trademark or service mark to identify another’s business, products or services, regardless what disclaimers accompany such imitation or false identification.

E.

Defendant is using plaintiff's trade name and service mark "Volkswagen" to identify his own business and services.

The record and the findings show that since defendant first opened his repair shop he has done business under a trade name imitative of plaintiff's and has used plaintiff's trademark and service mark "Volkswagen" not simply descriptively to advise the public that he specializes in the repair of Volkswagen vehicles but as a service mark to identify himself and his services. Although plaintiff's objections and the compulsion of this litigation have put a stop to his most flagrant infringements, even now his conduct invades plaintiff's exclusive right to "Volkswagen" as a trademark, service mark and trade name and jeopardizes plaintiff's goodwill. The contrary conclusion reached by the court below is based upon a misconception of the restrictions which the law places upon the use which third parties can make of another's trademarks and the extent to which a valuable trade name can be imitated.

The court below did not distinguish between use of "Volkswagen" as a trade name and service mark and use of it descriptively. It erroneously deemed any use proper, if qualified by the word "independent." But as the authorities just reviewed demonstrate, this is not the law. No one but the rightful owner of the service mark "Volkswagen" that is, no one but plaintiff, may use it as a service mark, no matter with what disclaimer or additional language such use is joined. Thus, what the court below should have determined is whether or not defendant was using "Volkswagen" in such a way that "prospective purchasers are likely to regard it as the name of, or the means of identifying, his goods, services or business." Restatement, Torts, section 727 (1938). If the answer to this question was in the affirmative, then it was irrelevant whether or not in using "Volkswagen" in this fashion he preceded it with the word "independent," since such use is absolutely prohibited.

Had the court evaluated defendant's practices under the proper standard, it necessarily would have had to conclude that defendant has infringed plaintiff's trademarks, service marks and trade name and engaged in unfair competition by use, in the fashion of a trade name, of the phrases "Modern Volkswagen Porsche Service" and "Independent Volkswagen Porsche Service"; by displaying the word "Volkswagen" alone to identify his premises to the public; by claiming to provide "Volkswagen Service"; and by advertising his business, service and parts in such a fashion as to identify all three by plaintiff's mark "Volkswagen."

Although the court below treated the question of infringement as purely a question of fact, it partakes, as this Court has recognized in analogous circumstances, more of the character of a conclusion of law. *Continente v. Continente*, 378 F. 2d 279, 281 (9th Cir. 1967). Accordingly, an independent determination should be made at this level regarding the legitimacy of defendant's imitation of plaintiff's trade name and his use of "Volkswagen" as a service mark.

(1) "*Modern Volkswagen Porsche Service*"

That the business now conducted by defendant was initially identified as "Modern Volkswagen Porsche Service" is incontrovertible and the court below so found (CT 145). Further, defendant conceded, and the court agreed, that the adoption of this trade name invaded plaintiff's rights.

This name is an invasion of plaintiff's rights and a source of confusion just as were "Lincoln Automobile Company" [*Lincoln Motor Co. v. Lincoln Automobile Co.*, *supra*, 44 F. 2d 812, 818 (N.D. Ill. 1930)], "Smith's Chevrolet Service" [*General Motors Corp. v. Smith*, *supra*, 138 U.S.P.Q. 382 (S.D. Calif. 1963)], and "Fiat Sales and Service" [*Fiat Societa Per Azioni v. Vaughan*, *supra*, 7 Misc. 2d 4, 166 N.Y. Supp. 2d 39 (1957), *modified and aff'd*,

5 App. Div. 2d 821, 170 N.Y. Supp. 2d 627 (1st Dep't 1958)].

However, in the view of the court below, defendant's invasion of plaintiff's rights ceased when defendant technically abandoned this trade name in favor of "Modern Specialist" (CT 151). This approach ignores reality. The public neither knows nor cares what name appears in the files of the local County Clerk. They do not determine the trade name of a business by consulting these files. The question is what would a prospective customer be likely to think to be the trade name of defendant's business from its general appearance.

As the court below found:

"Until some time subsequent to the filing of the complaint herein, the designation 'Modern Volkswagen Porsche Service' dominated his building being stretched across its facade in large, black letters running the full width of his premises" (CT 146).

Certainly, those who knew defendant first under this name must have assumed from this display that it continued to be his trade identification. As for newcomers, the old name dominating the premises was far more likely to catch their eye than the unobtrusive "Modern Specialist" on the pole sign in front.

Thus, when the complaint herein was filed, defendant was still using "Modern Volkswagen Porsche Service" in the manner of a trade name and thus was clearly acting in derogation of plaintiff's rights.

(2) "*Independent Volkswagen Porsche Service*"

By a parity of reasoning, "Independent Volkswagen Porsche Service" which, only subsequent to the filing of the complaint herein, replaced "Modern Volkswagen Porsche Service" along the facade of defendant's building invades plaintiff's rights to the exclusive use of "Volkswagen" as a trade name and service mark.

The manner in which this language is displayed is such that a passing motorist might well assume it to be the name of the premises to which it is affixed. At pages 44-47, *infra*, we deal with the impropriety of Church's claim to render "Volkswagen Service," whatever the context in which this term appears, but here the impropriety of that claim is aggravated by employing it not only to identify the services offered for sale but also apparently as part of the name of the business making such offer.

The catch-word in the legend "Independent Volkswagen Porsche Service" is "Volkswagen." That "Volkswagen" is preceded by the word "independent" no more saves this business identification from improperly simulating plaintiff's trade name and mark than did prefacing "Chevrolet Service" with "Smith's" [*General Motors Corp. v. Smith, supra*, 138 U.S.P.Q. 382 (S.D. Calif. 1963)] or "Ford Agency" with "Weibel" [*Ford Motor Co. v. Weibel, supra*, 262 F. Supp. 932 (D.R.I. 1967)]. Employment of "Volkswagen" as part of a trade name is a denominative use and is, therefore, foreclosed to defendant, regardless what else such name includes.

(3) "Volkswagen"

Defendant's sole right to use of "Volkswagen" is informationally, to describe the services he stands ready to render. And even then, he cannot reproduce it in different letters from the text of which it forms a part since then "a casual purchaser might look no further and might be deceived." *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368-369 (1924).

But here the findings show that until the complaint was filed, plaintiff's trademark "Volkswagen" appeared alone on a signboard in front of defendant's premises (CT 147, 153). No text whatever surrounded it, let alone one in the same size lettering. Obviously, "Volkswagen" was not being used to communicate information but rather as a symbol for its commercial magnetism. Just such display in isola-

tion of the manufacturer's trademark drew the disapprobation of the courts in *Ford Motor Co. v. Benjamin E. Boone, Inc.*, *supra*, 244 Fed. 335 (9th Cir. 1917), and *Ford Motor Co. v. Helms*, *supra*, 25 F. Supp. 698 (E.D.N.Y. 1938).

That neither Memphis Bold lettering nor blue and white colors were employed does not aid defendant. Neither plaintiff nor its licensees consistently reproduce the mark in any particular script nor in the blue and white color combination. In advertising, promotional literature and even on building signs, the word "Volkswagen" is often reproduced in modern lettering similar to that employed by Church (*e.g.*, P. Exs. 69, 70f). As the court below found, neither colors nor style of lettering necessarily mark authorized Volkswagen dealers from unauthorized workshops (CT 143-144).

But even if use of a particular color combination and lettering were uniform, failure to duplicate incidental features should be no more effective to avoid condemnation of what is clearly a trademark or service mark use than were the clear and explicit disclaimers in *Ford Motor Co. v. Helms*, *supra*, 25 F. Supp. 698 (E.D.N.Y. 1938), or *Dayton v. Imperial Sales & Parts Co.*, *supra*, 195 Mich. 397, 161 N.W. 958 (1917). The average purchaser would not stop to evaluate the significance of the difference in color or lettering. The mark "Volkswagen" is the symbol which identifies. What is charged here is infringement of a particular mark, not imitation of a trade dress. Had defendant duplicated lettering and coloring, he would have aggravated his misconduct by heightening the misleading impression conveyed, but that he went no further does not make what he did proper. His display of the word "Volkswagen" clearly exceeded any license he enjoys to tell the world that he repairs vehicles of this manufacture.

(4) "Volkswagen Service"

The court below explicitly found that "Volkswagen" was not only a trade name and trademark but was also a

service mark (CT 139-140). Further it found that the goodwill inhering in it as a service mark belongs to plaintiff (CT 143). There would seem to be no more explicit way of employing "Volkswagen" as a service mark than to identify specific services as "Volkswagen Service." On its face, this is infringement of plaintiff's service mark.

As the court below found:

"In advertising and promotional material originating with plaintiff or VWoA the general practice is to use the trademark 'Volkswagen' or its trademarked abbreviation 'VW' to identify services performed by the authorized domestic Volkswagen organization and to refer to such services simply as '*Volkswagen Service*' or '*VW Service*'" (CT 142) (emphasis added).

This is exactly the way that authorized service facilities are identified throughout American industry. The manufacturer's trademark is employed as an adjective in front of the word "service." Manufacturers have repeatedly secured protection from the courts against use of such phraseology by a service establishment. "Yale Lock Service" [*Yale & Towne Mfg. Co. v. Haber*, 7 F. Supp. 790 (E.D.N.Y. 1934)], "Smith's Chevrolet Service" [*General Motors Corp. v. Smith, supra*, 138 U.S.P.Q. 382 (S.D. Cal. 1963)], "Fiat Sales and Service" [*Fiat Societa Per Azioni v. Vaughan, supra*, 7 Misc. 2d 4, 166 N.Y. Supp. 2d 39 (1957), *modified and aff'd*, 5 App. Div. 2d 821, 170 N.Y. Supp. 2d 627 (1st Dep't 1958)], "Dodge Service" [*Dodge Bros. v. East, supra*, 8 F. 2d 872 (E.D.N.Y. 1925)] and "Hoover Vacuum Cleaner Repairing" [*Hoover Co. v. Groger*, 12 Cal. App. 2d 417, 55 P. 2d 529 (1936)] have all been condemned as trademark infringement or unfair competition or both.

Nevertheless, the court below declared that plaintiff does not have the exclusive right to use of the wording "Volkswagen Service" or "VW Service" (CT 149). Apparently the court believed that others may employ this

term because it finds that unauthorized repair and service facilities have used such term extensively "at least in Southern California" so that it has come to mean "in the mind of the public in general only that the advertiser services Volkswagen vehicles" (CT 149-150).

We believe both of these supportive findings are clearly erroneous and that there is neither proof of extensive use by unauthorized garages of the term "Volkswagen Service" nor any local idiosyncrasy of meaning (pp. 60-63, *infra*). But, in any event, the court's conclusion that the exclusive right to the use of the wording "Volkswagen Service" or "VW Service" does not reside in plaintiff cannot stand in the face of its earlier findings that "Volkswagen" as a service mark belongs to plaintiff.

We are not concerned here with a mark peculiar to or localized in Southern California. On the contrary, "Volkswagen" is a mark with a nationwide, in fact, world wide, significance and reputation.

The court's findings establish that authorized Volkswagen service is advertised nationally as "Volkswagen Service" or "VW Service" (CT 142). There is no evidence that outside Southern California these expressions have any other significance than that the services so identified are performed under the aegis and control of plaintiff. The object in enacting the Lanham Act was to give trademarks nationwide protection. See *John R. Thompson Co. v. Holloway*, 366 F. 2d 108, 114-115 (5th Cir. 1966), and authorities there cited.

Automobile owners are necessarily mobile. The man who is in New York today may be in California next week. He cannot return to his own area for servicing. For that he must turn to a California enterprise. To him "Volkswagen Service" means service by plaintiff or under its aegis or control. Even if the court below were correct in thinking that residents of Southern California understand this term differently, tourists and travelers do not. Concern for them, as well as the interest of uniform, nationwide

protection, dictates that use of "Volkswagen" as a service mark should be confined exclusively to plaintiff and its licensees, in California as elsewhere.

In describing his services as "Volkswagen Service," defendant is employing plaintiff's service mark to identify, not to describe, his service. The fact that he precedes such identification with the word "independent" should no more legitimize what he does than would adding the word "independent" before a trademark. Church could not sell an automobile part under the Volkswagen trademark, simply by adding the word "independent," *e.g.*, "Independent Volkswagen Windshield Wiper," "Independent Volkswagen Automobile Radio," etc. No more should he be permitted to represent his services as "Volkswagen" service through such device. As the court said of the far more explicit language in *Ford Motor Co. v. Helms, supra*, 25 F. Supp. 698, 699 (E.D.N.Y. 1938), the significance of "independent" "might well escape the attention of all but the most alert of intending customers."

(5) "*An Independent Volkswagen & Porsche Service Center*"

The error in the approach taken by the court below emerges most clearly in connection with its treatment of the advertisement which defendant has employed since 1962 in the local classified telephone directory (CT 96).

The advertisement is dominated by the legend "An Independent Volkswagen & Porsche Service Center" (CT 96). Only a shade less prominent is a silhouette of the most distinctive of Volkswagen vehicles, the well known "bug" or "beetle." Relegated to an insignificant place at the bottom is defendant's trade name "Modern Specialist" printed in lower case letters, generally reserved for purely descriptive material (*ibid.*). Centered in the advertisement is the phrase "Complete Stock Factory Parts."

But the court below finds nothing improper in this advertisement because it "adequately identifies the de-

fendant as independent of the plaintiff's organization, and does not give undue emphasis or prominence to the word 'Volkswagen' nor to the Volkswagen silhouette" (CT 149).

But the advertisement must be approached as a whole. As Mr. Justice Holmes said, "It is a fallacy to break the fagot stick by stick." *Schlitz Brewing Co. v. Houston Ice Co.*, 250 U.S. 28, 29 (1919).

The entire advertisement is impregnated "with the drawing power of a congenial symbol." *Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co.*, *supra*, 316 U.S. 203, 205 (1941). From top to bottom, apart from the unobtrusive reference to defendant's own trade name, the advertisement is designed to exploit the commercial magnetism inhering in the mark "Volkswagen." Every individual element is calculated to reinforce the suggestion of identification with plaintiff. But, above all, "Volkswagen" is being used as a trade name and as a service mark. The "center" operated by Church is not a "Volkswagen Center" nor is it a "center" for "Volkswagen Service." This is a misdescription and it is not saved by the addition of the word "independent." The only "Volkswagen Service" is that rendered by plaintiff or under its aegis. Church does not provide "Volkswagen Service"; he sells "Church's Service." It is just as much a misnomer for him to represent himself as selling "Independent Volkswagen Service" as to claim that he sells "Volkswagen Service." He does neither the one nor the other.

The public would be more likely to regard "Volkswagen" as being used to identify defendant's services because of the other elements in the advertisement. In trademark law pictures and words are interchangeable. *In re Dutch Maid Ice Cream Co.*, 95 F.2d 262, 263 (C.C.P.A. 1938). The well known silhouette of the Volkswagen vehicle is the pictorial equivalent of the word "Volkswagen." This unique silhouette has been frequently featured in advertisements by members of the American

Volkswagen organization, as proved by Plaintiff's Exhibits 10f, 10t, 10v, 10cc, 10dd. Its use by franchised dealers in telephone and classified advertising is reflected in Defendant's Exhibits L-1 and O-4. Picture and text together interact in the reader's mind. Thus, in *Pan American World Airways v. Clipper Van Lines, Inc.*, 98 F. Supp. 524 (E.D.N.Y. 1951), use of the picture of an airplane reinforced the likelihood of confusion when an airline's trademark "Clipper" was used by a moving concern.

But there is still a third element present here, and that is the claim to "Complete Stock Factory Parts." Obviously, in the total context of this advertisement, the reader will perceive factory as a shorthand reference to the "Volkswagen factory." *

Thus a tourist or other potential customer for automobile services, turning to the telephone directory for assistance in locating a repair shop, sees an advertisement by a "Volkswagen Service Center" identified by the best known Volkswagen vehicle and proclaiming the availability of a complete stock of Volkswagen parts. Would any reader doubt that the place of business so identified and flaunting the symbols belonging exclusively to plaintiff is doing business under the "Volkswagen" mark and selling "Volkswagen Service"? How can this advertisement in its entirety, suggesting by word and picture complete identification with plaintiff, be deemed within defendant's limited license to advise the world that he is prepared to service Volkswagen vehicles? Would anyone coming upon this

* The unfairness of defendant's claim to carry a complete stock of factory parts is aggravated by the fact that many of his parts do not have their source in the "factory," i.e., plaintiff. Church obtains his parts from persons importing them from German sources (RT 626, 640). These parts have never had to pass through the exacting quality control to which plaintiff subjects the parts which it buys and distributes (P. Ex. 9e, Nelson, *Small Wonder, The Amazing Story of Volkswagen*, 218-219; P. Ex. 69L), and it is an imposition on the public to sell them as "Volkswagen Parts."

advertisement be likely to appreciate that, in fact, Church's business was totally unconnected with the enterprise whose product and mark dominated his advertisement?

As we develop at pp. 62-63, *infra*, the court below placed a weight on the use of the word "independent" which it will not bear. But where, as in the case of this telephone advertisement, defendant so far oversteps his right to use "Volkswagen" descriptively and uses it, as he does here, in the fashion of a trade name and as a service mark, then he infringes plaintiff's exclusive right to employ "Volkswagen" as a symbol, and he does not cure such infringement by adding "independent," any more than he would by prefacing it with "Church" (p. 30, *supra*).

The conclusion reached by the court below that none of defendant's practices, with the exception of the period when he formally used "Modern Volkswagen Porsche Service" as his trade name, "infringe any of the rights of plaintiff" and that "all of such practices have been in a denotive sense" (CT 151), is based upon too narrow a view of what the rights of plaintiff are. The word "Volkswagen" is not *publici juris*. On the contrary it is one of the world's best known marks. It owes the genuine acceptance it has received to the efforts plaintiff has made at all times to identify it with the best in products and services. These efforts have resulted in creating unusual drawing power for those services entitled to be sold under this mark.

Defendant's sole right to employ plaintiff's mark "Volkswagen" is as part of a simple statement of fact that he services vehicles of this manufacture. He is not operating a "Volkswagen Service Center" any more than the defendant in *Boone* was running a "Ford Auto Agency." *Ford Motor Co. v. Benjamin E. Boone, Inc.*, *supra*, 244 Fed. 335 (9th Cir. 1917). In the half century which has elapsed since that case was decided, the tendency of the law of trademark infringement and unfair competition has been in the direction of enforcing increasingly higher standards of fair-

ness and commercial morality in trade. Restatement, Torts, Introductory Note (1938); Restatement (2d), Torts, Introductory Note (Tentative Draft No. 8, 1963). That defendant here did not duplicate exactly the conduct of the defendant in *Boone* is of no consequence. No case of trademark infringement is ever exactly like another. But the objective of both was the same: to appropriate for their own enterprises the commercial magnetism which the manufacturer had built up for his mark and name. Surely, "Volkswagen" is entitled to no less protection than this Court gave "Ford" half a century ago.

II.

Even if defendant used "Volkswagen" descriptively rather than as a tradename and service mark, the court below erred in concluding that he discharged the affirmative duty the law imposes to avoid confusion with authorized Volkswagen facilities.

For the reasons set forth in point I, defendant's employment of plaintiff's mark "Volkswagen" was consistently improper in that it was always used in the manner of a trade name or service mark and not simply in the one fashion in which it could properly be employed by defendant, which is to advise the world that he services cars identified by this mark. But even if defendant's use could be deemed within his "right to inform the public that he specializes in repairing Volkswagen cars" (CT 87), it would still be improper. This is because such right is accompanied by an affirmative obligation to avoid confusion, a "duty to explain." *Herring-Hall-Marvin Safe Co. v. Hall's Safe Co.*, 208 U.S. 554, 559 (1908). And the "explanation must accompany the use, so as to give the antidote with the bane." *Ibid.*

Even where another's mark is not used as a trademark or trade name, but is employed descriptively, it must be hedged around with qualifying language to ensure against

confusion with the product or services entitled to be identified by that mark. Handler and Pickett, *Trade-Marks and Trade Names*, *supra*, 30 Colum. L. Rev. 168, 188-189 (1930).

So, for example, in reselling a trademarked product after further manufacture, any reference to the original trademark must be made in such a fashion that even a "casual purchaser" could not be deceived. *Prestonettes, Inc. v. Coty*, *supra*, 264 U.S. 359 (1924); *Bourjois, Inc. v. Hermida Laboratories, Inc.*, 106 F.2d 174 (3d Cir. 1939); *Bulova Watch Co. v. Allerton Co.*, 328 F.2d 20, 23-24 (7th Cir. 1964); *R. B. Semler, Inc. v. Kirk*, 27 F. Supp. 630, 631-632 (E.D. Pa. 1938); *Bayer Co. v. Shoyer*, 27 F. Supp. 633, 635-636 (E.D. Pa. 1939); *B. B. & R. Knight v. W. L. Milner & Co.*, 283 Fed. 816, 819 (N.D. Ohio 1922).

Wherever there exists a license or privilege to use a term which has come to identify another's business or products and for which substantial goodwill has been created, as, for example, a descriptive or geographic term, or one which has become generic, reasonable precautions must be taken to avoid confusion with the product originally so identified. *American Waltham Watch Co. v. United States Watch Co.*, *supra*, 173 Mass. 85, 53 N.E. 141, 142 (1899); *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169 (1896); *Lane Bryant, Inc. v. Maternity Lane Ltd. of California*, 173 F.2d 559, 563-564 (9th Cir. 1949); *Brooks Brothers v. Brooks Clothing of California, Ltd.*, 60 F. Supp. 442, 452 (S.D. Cal. 1945) (dictum), *aff'd on the opinion below*, 158 F.2d 798 (9th Cir. 1947), *cert. denied*, 331 U.S. 824 (1947), and authorities there cited.

Similarly, although as a general proposition a person cannot be denied the right to use his own name in connection with his business,

"where a personal name has become associated in the minds of the public with certain goods or a particular business, it is the duty of a person with the same or similar name, subsequently engaging

in the same or similar business or dealing in like goods, to take such affirmative steps as may be necessary to prevent his goods or business from becoming confused with the goods or business of the established trader.” *Horlick’s Malted Milk Corp. v. Horluck’s*, 59 F.2d 13, 15 (9th Cir. 1932).

Accord: *Thaddeus Davids Co. v. Davids Mfg. Co.*, 233 U.S. 461, 471-472 (1914); *L. E. Waterman Co. v. Modern Pen Co.*, 235 U.S. 88, 94 (1914); *Herring-Hall-Marvin Safe Co. v. Hall’s Safe Co.*, *supra*, 208 U.S. 554, 559-560 (1908); *Henderson v. Peter Henderson & Co.*, 9 F.2d 787 (7th Cir. 1925).

Thus, the defendant in *Ford Motor Co. v. Helms*, *supra*, 25 F. Supp. 698 (E.D.N.Y. 1938), could only employ “Ford” in a sign coupled with the disclaimer “We do not act as authorized dealers, or conduct a Ford authorized service station,” and then only if the letters in the disclaimer were “as large and as visible at all times as any other letters appearing upon the sign.”

But the court below applied a far less exigent test to defendant’s conduct. Instead of determining whether defendant had discharged his affirmative obligation to avoid confusion, *i.e.*, whether each time he employed plaintiff’s mark “Volkswagen” he had qualified and explained such use, the court below deemed it sufficient if defendant, in informing the public that he repairs Volkswagen cars, does not “do so in such a manner as to mislead the public into believing that he is part of the plaintiff’s organization” (CT 87). This suggests that if defendant has done nothing affirmatively misleading, he has met the law’s requirements, whereas what is required is positive action to avoid confusion.

The significance of this error is reflected in the false importance both defendant and the court below gave to what defendant had not done. Contesting plaintiff’s claim that he had invaded its rights in the word “Volkswagen,” defendant stressed his forbearance from using its other

trademarks or imitating the trade dress of its licensees (CT 89). And the court below, when it wrote its decision, agreed "that he adequately distinguishes his business from the plaintiff's organization, by giving reasonable prominence to the word 'Independent', and by not using the plaintiff's encircled VW symbol nor plaintiff's distinctive colors or style of printing" (*ibid.*).

Since the issue here was whether or not plaintiff's service mark "Volkswagen" had been infringed, it was "immaterial and irrelevant" that defendant had refrained from infringing some other mark or engaging in another species of unfair competition. *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149, 161 (9th Cir. 1963), *cert. denied*, 374 U.S. 830 (1963); *Sierra Chemical Co. v. Berettini*, 33 F.2d 397, 399 (7th Cir. 1929); *American Distilling Co. v. Bellows & Co.*, *supra*, 102 Cal. App.2d 8, 26, 226 P.2d 751, 762 (1951).

Underlining the court's error is the fact that the record and its own findings show that confusion between defendant's business and authorized Volkswagen dealers generated by his abuse of plaintiff's mark "Volkswagen" is in no way avoided by the fact that he does not reproduce this mark in plaintiff's distinctive colors, blue and white, or style of lettering, Memphis Bold, or couple it with the encircled "VW" emblem. Older Volkswagen dealerships are not "distinguishable by their mere physical facilities, size, style or coloring of lettering, from the establishments of unfranchised businesses dealing with the sale or repair of Volkswagens" (CT 143-144). Thus, both as a matter of law and in the context of this record, all that defendant can point to as discharging his duty to avoid confusion in his employment of plaintiff's mark "Volkswagen" is what prominence, if any, he has given to the word "independent" in conjunction therewith.

When the court below came to write its findings, it virtually acknowledged as much. Although it made a separate finding that defendant "has not attempted to give the

appearance or impression that his business is part of plaintiff's organization" (CT 150), when the court dealt directly with his use of the word "Volkswagen," it said nothing about colors or style of lettering. It pointed solely to his use of the word "independent" as discharging his duty to avoid confusion in his use of the mark for which plaintiff has built up so much goodwill.

"In connection with the use by defendant of the phrase 'Volkswagen Service', the letters 'VW', and the use of the silhouette of the most widely known Volkswagen vehicle, the defendant has adequately distinguished his business from the plaintiff's organization by the used of the word 'Independent' " (CT 148).

The court below erred both factually and legally. First, as we develop at greater length later at pp. 67-68, *infra*, until the complaint herein was filed the word "independent" did not qualify "Volkswagen" where it counted most, that is, on defendant's signs and invoices. That it may have appeared on some promotional item or on a business card, which may or may not have been seen by the persons attracted by the signs or receiving the invoice, certainly cannot be considered giving "the antidote with the bane." *Herring-Hall-Marvin Safe Co. v. Hall's Safe Co.*, *supra*, 208 U.S. at 559.

Second, the ambiguous word "independent," with its multiple meanings, when coupled with the balance of defendant's conduct, in no way satisfies his obligation to take positive steps to prevent confusion.

In evaluating whether confusion will result, the test is the likely impact upon "ordinary purchasers, buying under the usual conditions prevailing in the trade, and giving such attention as such purchasers usually give in buying that class of goods." *Queen Manufacturing Co. v. Isaac Ginsberg & Bros., Inc.*, 25 F.2d 284, 287 (8th Cir. 1928); *Tillman & Bendel, Inc. v. California Packing Corp.*, 63 F.2d 498, 509 (9th Cir. 1933), *cert. denied*, 290 U.S. 638 (1933);

G. Heileman Brewing Co. v. Independent Brewing Co., 191 Fed. 489 (9th Cir. 1911).

Protection must be given not only to the careful and prudent buyer but also to the "ignorant, the inexperienced, and the gullible." *Stork Restaurant, Inc. v. Sahati*, 166 F.2d 348, 359 (9th Cir. 1948); *Fleischmann Distilling Corp. v. Maier Brewing Co.*, *supra*, 314 F.2d 149, 156 (9th Cir. 1963), *cert. denied*, 374 U.S. 830 (1963); *Florence Mfg. Co. v. J. C. Dowd & Co.*, 178 Fed. 73, 75 (2d Cir. 1910). Accordingly, very explicit and unequivocal disclaimers must accompany use of another's valuable trademarks or other positive steps must be taken to avoid confusion. *Prestonettes, Inc. v. Coty*, *supra*, 264 U.S. 359 (1924); *Bulova Watch Co. v. Allerton Co.*, *supra*, 328 F.2d 20, 21, 24 (7th Cir. 1964), *reversing*, 216 F. Supp. 875 (E.D. Ill. 1963); *Bayer Co. v. Shoyer*, *supra*, 27 F. Supp. 633, 638 (E.D. Pa. 1939).

Thus in *Bourjois, Inc. v. Hermida Laboratories, Inc.*, *supra*, 106 F.2d 174, 175 (3d Cir. 1939), which involved the proper labeling of repackaged cosmetics to avoid unfair competition, the Third Circuit disapproved as insufficiently informative the following label: "Bourjois—Evening in Paris—Face Powder—Repacked by Hermida Laboratories—Wholly Independent of Bourjois."

In *Horlick's Malted Milk Corp. v. Horluck's*, *supra*, 59 F. 2d 13, 16 (9th Cir. 1932), this Court held that defendant had not discharged his duty to avoid the confusion with "Horlick's Malted Milk" arising from the use of his surname "Horluck" in connection with several stores operated as "Horluck's Malted Milk Shops" by referring in his advertising and in its promotional circulars to the "local character of its organization." This Court agreed that the defendant should be enjoined

"from using the name 'Horluck's' in the possessive, i.e., 'Horluck's,' or in the plural, i.e., 'Horlucks,' in connection with the sale of malted milk. The use of the possessive is one of the most objectionable features of defendant's practices, inasmuch as it is the

possessive 'Horlick's' with which plaintiff's product is associated in the mind of the public. This will still leave the defendant free to use its name in connection with its business in any lawful way and is in conformity with the decided cases, giving both the plaintiff and defendant ample protection of their respective rights." 59 F.2d at 16.

Similarly here, "Volkswagen Service" is the term with which plaintiff's service is associated in the mind of the public. How is the conundrum resulting from defendant's addition of the adjective "independent" before this phrase compatible with his obligation to employ terminology incapable of being misunderstood? "Independent Volkswagen Service" requires the public to balance the claim that Church renders "Volkswagen Service" against his description of it as "independent." But, as this Circuit has noted, "The usual purchaser neither abstracts nor analyzes for the purpose of differentiation and judgment." *G. Heileman Brewing Co. v. Independent Brewing Co.*, *supra*, 191 Fed. 489, 497 (9th Cir. 1911).

It is not self-evident that defendant's phraseology is designed to confuse the public and yet give him some basis for arguing to jurists, trained by their profession to abstract and analyze, that such confusion is unlikely?

In this so far he has been successful. The court below has accepted his argument that prefacing "Volkswagen Service" with the word "independent" avoids confusion. It rests such conclusion on its finding that "[t]he word 'Independent' has, through widespread practice not confined to the Volkswagen line of manufactured products, for many years, at least in Southern California, gained a significance indicating that the advertiser using that word is not 'Enfranchised' or 'Authorized,' by the manufacturer of the product, or by an authorized representative thereof, to sell or service its product" (CT 144).

But the court did not find, nor could it find, that in Southern California anymore than elsewhere in the United States this is the sole significance this word has, nor

even the meaning which first comes to mind. The same dictionaries are used in Southern California as elsewhere; the same history of the "Declaration of Independence" is taught.

"Independent" is a word which takes its meaning from its surroundings. Just as defendant uses it allegedly to distinguish himself from franchised operations, so equally is it employed elsewhere to mark off franchised businesses, of exactly the character of the Volkswagen network, from manufacturer-owned outlets (*e.g.*, RT 703). So, for example, a federal judge wrote:

"The franchise system creates a class of *independent* businessmen; it provides the public with an opportunity to get a uniform product at numerous points of sale from small *independent* contractors, rather than from employees of a vast chain." *

This is the same connotation as the word carries in the Volkswagen franchise agreements themselves which place the task of providing consumer service upon "*independently* owned enterprises" (P. Ex. 6e, p. 1) (emphasis added). It is no answer, as the court below seems to believe, that authorized dealers are not "independent" within the meaning of this term when used to signify, not the entrepreneurial role of the business, but its connection with the manufacturer of the product upon which it is based (CT 144). One usage is as legitimate as the other. How is the passing motorist to choose among them? Even if to a resident of Southern California one significance may be more obvious than another, this is not true of the tourists who yearly flock to Long Beach where Church is located. How is a tourist to appreciate the special significance that inheres in "Independent Volkswagen Service" in contradistinction to "Reliable Volkswagen

* *Susser v. Carvel Corp.*, 206 F. Supp. 636, 640 (S.D.N.Y. 1962), *aff'd*, 332 F.2d 505 (2d Cir. 1964), *cert. dismissed*, 381 U.S. 125 (1965) (emphasis added).

Service" or "Modern Volkswagen Service"? How is he to know that "independent," unlike "modern" or "reliable," does not describe the kind of "service" but rather qualifies the claim to render "Volkswagen Service"?

The court below unequivocally condemned "Modern Volkswagen Porsche Service" as use of "Volkswagen" in a proprietary sense (CT 151). Why is "Independent Volkswagen Porsche Service" any different? To most members of the public "modern" and "independent" are laudatory words of the same character, meaningless prefixes, totally without significance.

The obligation the law imposes is to make clear and unambiguous the lack of connection otherwise arising from the use of the trademark. It is not discharged by equivocal terminology as consistent with authorization as not.

Plaintiff has not demanded any elaborate disclaimer of connection. It has not asked unauthorized facilities like Church to burden their signs or advertising with elaborate phraseology of the kind the courts have deemed proper in other circumstances. All that it requires is that they not employ the terminology associated in the public mind with franchised facilities, "Volkswagen Service" or "VW Service." The information which defendant is entitled to communicate is all contained within the phrases "Repairs for Volkswagen Vehicles" or "Service for Volkswagen Vehicles."

If Church deliberately eschews such language, if for six years he has insisted upon using instead "Volkswagen * * * Service," it is because the latter phrase is not synonymous in the public mind with "Service for Volkswagen Vehicles." "Volkswagen Service" carries a symbolic significance in the market place extending beyond its literal meaning. It owes this to its identification with plaintiff and its licensees.

When Church elected to describe his services by the term "Volkswagen Service," he breached his duty to avoid confusion in his use of plaintiff's mark "Volkswagen." Even if "independent" means, among other things, one

not connected with the manufacturer, the term "Independent Volkswagen Service" breeds confusion which can readily be avoided. Accordingly, the court below erred in deeming that defendant conformed with the requirements which the law imposes.

III.

Numerous statements in the formal findings and conclusions filed below are erroneous.

The facts which plaintiff deems basic to this litigation are not in dispute. However, plaintiff does take issue with numerous inferences and conclusions drawn from these facts. Although many of them are included in the court's formal findings of fact, they are not covered by the clearly erroneous rule either because they resemble more nearly conclusions of law or because they involve some incorrect legal standard.

None are necessarily critical to plaintiff's position in this appeal but should such appeal prove unsuccessful their perpetuation uncorrected would encourage wholesale trademark infringement and unfair competition.

A.

The meaning of "Volkswagen Service" in Southern California.

In Finding No. 35 the court below states that in Southern California, because repair and service facilities for Volkswagen vehicles have made extensive use of "Volkswagen Service" or "VW Service," such terminology "has come to mean in the mind of the public in general only that the advertiser services Volkswagen vehicles" (CT 149-150).

There is no evidence of "extensive use." There is evidence that in 1961 or 1962 one, or perhaps two, unauthorized facilities used the wording "Volkswagen Service"

(D. Ex. O2). There is also evidence that four other enterprises besides defendant have used some variant of "An Independent Volkswagen Service Center" in their advertising, and that two of these have done so on their signs as well (D. Exs. O1, O5, O8, O11, O13, P-T). But five concerns clearly do not form any significant fraction of the service facilities available in Southern California. Moreover, two or more of these firms are currently engaged in litigation with plaintiff revolving around the use of its marks (RT 964-972, 974-975).

Furthermore, there is no evidence that use by one or two non-franchised businesses of the term "Volkswagen Service" or "VW Service" has changed the meaning of these terms from what it is everywhere else, which is that the facilities so identified are part of the authorized Volkswagen network.

Significantly, although defendant called numerous consumer witnesses, he was very careful never to ask them what the term "Volkswagen Service" meant to them. Without exception, the inquiry put to them was what a phrase such as "Independent Volkswagen & Porsche Service" conveyed to them regarding the business it identified (RT 460-462, 535-541, 547-551, 555-558, 571-573, 589-593, 629-632).

But while there is no evidence in the record to support the court's finding regarding the ambiguity of the phrase "Volkswagen Service," there is a great deal of evidence in the record that this is the term employed by plaintiff and by members of the authorized Volkswagen organization throughout the United States to identify services offered under the aegis and control of plaintiff (P. Exs. 7, 10aa, 10dd, 10ee, 69e, 69i, D. Ex. A2). And the court so found (CT 142).

This promotional material and national advertising circulates in Southern California as well as in the rest of the country. Accordingly, the court clearly erred in finding that "Volkswagen Service" means any garage willing to repair Volkswagen vehicles.

B.**The use of "independent" and "authorized" in Southern California.**

The court makes a number of findings regarding the significance of the words "authorized" and "independent" and their use in Southern California by repair facilities for Volkswagen vehicles (CT 144). The impression created is that in this area of the country the words "authorized" and "independent" are used and relied on by service facilities and the public alike to distinguish authorized from unauthorized service facilities. This is not the case and the record does not so show.

The photographs of authorized repair facilities put into evidence show that they almost never use the word "authorized" in the signs on their premises identifying their premises to the public (RT 600; P. Exs. 69a-69g, 70c, 70f, D. Exs. A1-A5). That word is used with some frequency only in telephone and newspaper advertising (D. Exs. L1-L7, O5, O13). Even here the practice is not uniform since the parts and service advertisements recommended by VWoA for dealer's use in newspaper and other local media refer in their text simply to "VW Service" or to a "Volkswagen dealer" (P. Ex. 10d, pp. 63-64).

It is mainly in connection with off-premises advertising and on business forms that such phrases as "Authorized Dealer," "Authorized Volkswagen Service" and "Authorized Service" are employed. But there is no consistency in this regard. Thus, while many dealers use the words "Authorized VW Sales-Service-Parts" on their repair order forms, not all do (P. Ex. 69j; RT 250-251).

In connection with the word "independent," defendant produced evidence of only two garages servicing Volkswagen vehicles besides his own which use the word "independent" on their on-premises signs and on their trucks: Karl's Garage (D. Ex. P) and German Motors (D. Exs. Q-T). Both are involved in controversy with plaintiff (RT 969-970, 975). These two concerns, plus two more,

also employ "independent" in their advertising (D. Exs. 01, 05, 08, 011, 013).

Although elaborate evidence went into the record regarding the "Independent Garage Owners Association of California" (RT 668-706, D. Exs. V1-V5, 03, 06, 09), there was no evidence that any repair shop servicing Volkswagen vehicles was a member of this organization or displayed its insignia.

Seven witnesses were also called as representative of three hundred more (RT 665-666, 1111-1112) and asked to define "independent" (RT 460-462, 535, 554-555, 570, 588-589, 629). Of the seven, two were engaged in business directly hostile to the authorized Volkswagen organization. Outside the established distribution, one was importing Volkswagen cars (RT 446-447) and the other, parts (RT 636-640). Of the balance, all except one were long-time customers of Church.

Giving full credence to their testimony, nevertheless, it established at most that one significance of the term "independent" is, as the court found, not "Enfranchised" (CT 144), but this is a very different thing from proof of a "growing practice, at least in Southern California, among a substantial number of businesses that service Volkswagen vehicles to identify those that are not part of plaintiff's organization of dealers, by use of the word 'Independent' " (CT 144). Regarding this, as we have already noted, defendant established no more than that four other concerns servicing Volkswagen vehicles, in addition to himself, have employed "independent" as part of their business identification, and two or more of these are involved in litigation with plaintiff.

Thus the record fails to show that Volkswagen owners in Southern California recognize that "independent" in conjunction with the word "Volkswagen" means that the business displaying these signs is not part of the Volkswagen organization even though doing business under the Volkswagen trademarks.

C.**Defendant's persistence in his tortious conduct.**

Although the detailed findings made by the court below demonstrate that defendant only ceased his most flagrant misconduct when the complaint herein was filed, the court finds that he "made reasonable efforts to accommodate the plaintiff and to adjust his advertising to meet the plaintiff's objections" (CT 148). The evidence regarding "Modern Volkswagen Porsche Service" alone shows that this finding is not consistent with the facts. Although defendant conceded, and the court below agreed, that this name was improper, as the court's findings recite, even after he "formally altered his trade name to 'Modern Specialist' he continued to use his former appellation prominently in his business" (CT 146).

Still another example of defendant's unreasonableness is his obdurate refusal to change his repair order form while simultaneously inviting plaintiff to litigate the issue (P. Ex. 54).

For similar reasons, plaintiff takes issue with the court's finding that defendant "has carefully avoided using advertising which would give the appearance or impression to the public that his business is part of plaintiff's organization" (CT 150). What better way is there of doing so than by using the marks which identify plaintiff's organization to the world? There is, in fact, no other way of establishing a connection. Not all blue and white buildings house franchised Volkswagen dealers, nor is Memphis Bold lettering exclusive to them; but, without exception, they display plaintiff's trademarks.

D.**Defendant's blue and white promotional material.**

VWoA has suggested to authorized dealers that as a goodwill device they give customers a hand towel or napkin to wipe up any leftover oil or dirt (P. 69i; RT 247-248).

Church uses as a promotional device a napkin which is a duplicate of those employed by authorized Volkswagen service centers except for the omission from it of a little mannequin built around the encircled "VW" emblem and the Porsche trademark. Defendant's towel, like that sponsored by VWoA, is white and its lettering, blue (P. Ex. 24).

In Finding No. 34 the court distinguishes the two on the ground that the color of the lettering is "unlike the lighter shade of blue that plaintiff has adopted as part of its commercial signature" and the lettering itself is not in the "style adopted by the plaintiff for its dealers" (CT 149).

There is no evidence that plaintiff and its licensees confine themselves to any specific shade of blue. And even if the blue used were uniform—which it scarcely could be since no color used on paper, metal, plastic and cloth is always the same—no consumer could be expected to carry a specific shade in mind. Equally the record undermines the implication that the lettering on Church's napkin is different from that used by authorized Volkswagen dealers.

Comparison of the napkin employed by Church (P. Ex. 24) with those used by authorized Volkswagen dealers (P. Ex. 69i) will show that, in fact, all employ the same type face. The elaborate "Memphis Bold" style is generally not employed by the authorized Volkswagen organization for advertising and promotional material.

E.

Use of blue and white and "Memphis Bold" lettering by non-franchised repair shops.

At the trial defendant took the position that he distinguished his facilities by his failure to duplicate the colors or lettering most closely associated with authorized Volkswagen facilities. The premise implicit in this argument was that coloring and lettering are so closely identified with plaintiff that simply eschewing both would

put the public on notice that this was not an authorized facility. In its opinion the court below apparently accepted this view, agreeing with defendant that he "adequately distinguishes his business from the plaintiff's organization * * * by not using * * * plaintiff's distinctive colors or style of printing" (CT 89).

After the decision was written plaintiff persuaded the court that it was not true that an authorized Volkswagen dealer could always be singled out by its color or style of lettering. This did not, however, mean that imitation of coloring or lettering would not be an aggravating circumstance, increasing the likelihood of confusion, where it existed. All plaintiff was seeking to do was to demonstrate to the court that their absence was not critical, as the court had deemed it.

But when the court came to write its conclusions of law it fell into an error directly the opposite of its previous one. It now took the position that plaintiff's distinctive colors and lettering were open to use by the world at large.

"The plaintiff in the instant case does not have the exclusive right to the blue and white color combinations, nor to Memphis Bold style of print, etc., but the use of such color combinations and style of print must be used by the independent facility in such an environment and in such a manner that such use will not be likely to lead to public deception" (CT 151-152).

The statement is a contradiction in terms. Any use by an independent facility, by which the court clearly means one not authorized by plaintiff, of the distinctive colors or distinctive style of lettering employed by plaintiff will most certainly lead to public deception. What justification can there be for any unauthorized facility selecting, from all the colors that exist and all the styles of lettering that are available, precisely those which mark plaintiff and its franchisees? We trust that the Court, whatever disposition it makes of this case, will correct this error.

IV.

Since under any test defendant's conduct was wrongful until litigation began, it was error to dismiss plaintiff's complaint and leave defendant free to renew his tortious practices.

A.

Not until after suit was brought did Church cease using "Volkswagen" unqualified by "independent."

Until plaintiff turned to the courts for relief against Church's use of its trademarks to identify his business and service, nothing whatever on his repair order forms or on the signs on his premises, not even the ambiguous word "independent," purported to give notice that he was not connected with plaintiff (pp. 12-16, *supra*). A motorist attracted to his premises by its exterior appearance could have patronized it indefinitely without ever learning that it was not the authorized facility its use of plaintiff's trademarks suggested it to be.

A tourist visiting the Long Beach area who happened to drive by Church's garage would have seen a building identified on its facade as "Modern Volkswagen Porsche Service." He would have observed on the pole sign in front of the premises a sign-board reading simply "Volkswagen" (CT 147).

Nothing anywhere on any of the signs would have alerted him to the fact that the "Volkswagen Service" offered within was not the "Volkswagen Service" nationally advertised and known to him at home.

Had the passing motorist been induced by the appearance of defendant's premises to patronize defendant in the belief that he was dealing with a member of the authorized Volkswagen organization, the repair order which he received would in no way have disabused him. It, too, read simply "Volkswagen & Porsche Service" (CT 147).

Thus, a customer who had no occasion to consult the telephone book and did not happen to receive a business

card or any of the promotional material used by Church could have patronized him right up to the time this proceeding started without seeing the word “independent” used in connection with the word “Volkswagen.”

As appears from the findings below, defendant has been as slow to adopt the word “independent” in connection with his business as he has been to abandon “Modern Volkswagen Porsche Service.” The first appearance of the word “independent” in connection with defendant’s business was its use some time subsequent to 1960 on his business card where it initially appeared in tiny, inconspicuous letters (P. Ex. 19b). In 1962 it was introduced into his telephone advertising (P. Ex. 11e) and in 1963 it was placed on his truck (P. Ex. 59) and incorporated in the legend on various give-aways (P. Exs. 21, 22, 24-26; RT 893-898). But not until defendant received the complaint in this proceeding did he include it on his on-premises signs (CT 147) or his repair order form (CT 148).

Thus, even under the trial court’s view of the facts and the law, only the compulsion of this litigation resulted in respect for plaintiff’s rights. Until then, defendant’s use of plaintiff’s mark “Volkswagen” on his signs was accompanied by no disclaimer or qualification. Even, therefore, if the court below were correct in its view that use of the word “independent” in connection with the phrase “Volkswagen Service” adequately distinguishes defendant’s business from plaintiff’s organization, this is not how “Volkswagen Service” was qualified when plaintiff filed its complaint.

B.

Because recurrent infringement is a daily hazard, an injunction should have issued to vindicate and protect plaintiff for the future.

Although the court’s own findings establish that defendant’s conduct prior to the filing of its complaint herein invaded plaintiff’s rights, the court dismissed plaintiff’s complaint, declaring that defendant’s previous practices “were not indulged in by the defendant with any belief on his

part that the same constituted a violation of plaintiff's rights or constituted unfair competition and are not intended in the future to be indulged in by the defendant" (CT 145).

Even if both these statements found support in the record, which they do not, neither justifies denial of injunctive relief. The test of the necessity for injunctive relief is the likelihood of recurrence, not defendant's good faith or subjective intent.

(1) *Good faith and future intent are not controlling.*

To establish trademark infringements under federal law, it is unnecessary to show "wrongful intent." *Thaddeus Davids Co. v. Davids Mfg. Co.*, *supra*, 233 U.S. 461, 471 (1914); *Fleischmann Distilling Corp. v. Maier Brewing Co.*, *supra*, 314 F.2d 149, 157-158 (9th Cir. 1963), *cert. denied*, 374 U.S. 830 (1963). California law is in accord. *Stork Restaurant v. Sahati*, *supra*, 166 F.2d 348, 360-361 (9th Cir. 1948); *Lane-Bryant Inc. v. Maternity Lane Ltd. of California*, *supra*, 173 F.2d 559 (9th Cir. 1949).

Similarly, that a defendant intends, or even promises, not to repeat acts of trademark infringement does not strip the wronged party of his right to better assurances against repetition. *Wesson v. Galef*, 286 Fed. 621, 626 (S.D.N.Y. 1922); *Blisscraft of Hollywood v. United Plastics Co.*, 294 F.2d 694, 702 (2d Cir. 1961). See also *Juvenile Shoe Co. v. Federal Trade Comm'n*, 289 Fed. 57, 59-60 (9th Cir. 1923), *cert. denied*, 263 U.S. 705 (1923).

"It is the duty of the courts to beware of efforts to defeat injunctive relief by protestations of repentance and reform, especially when abandonment seems timed to anticipate suit, and there is probability of resumption." *United States v. Oregon State Medical Soc'y*, 343 U.S. 326, 333 (1952).

(2) *Defendant's good faith and future intent are very dubious.*

But, in fact, the court's view that defendant acted in good faith and that he has no intent to resume his

invasion of plaintiff's rights finds little support in the record. Contrary conclusions could more easily be reached.

Since at least 1959, defendant has known that use of the phrase "Modern Volkswagen Porsche Service" to identify his premises is improper and that he is under an obligation in using plaintiff's mark "Volkswagen" to make it clear that he is not using it, as do authorized Volkswagen facilities, to identify his premises. In that year he promised through his attorneys that "his next telephone listing, letterheads, invoices and business cards will make it clear that his firm is independent of the Volkswagen organization" (P. Ex. 30).

Yet, nine months later, investigations disclosed that defendant was still doing business under the name "Modern Volkswagen Porsche Service" (P. Ex. 36) and, in fact, this continued to constitute the principal identification on his building until this proceeding was brought (CT 146). Never has he carried out his 1959 promise which bound him only to do what the law requires.

The changes Church made in his signs and stationery when plaintiff finally resorted to the courts also reflect unfavorably on his good faith. If defendant really believed his conduct prior to the initiation of this litigation was proper, why did he so hastily abandon it when the matter was submitted to the courts for resolution?

There is even less basis in the record for the court's finding that defendant does not intend in the future to indulge in the practices he was engaged in when the complaint herein was filed. Nothing he has said at any time demonstrates an intention to do in the future otherwise than he has in the past. At no time has he conceded any impropriety in his past conduct since change of his trade name in 1959 to "Modern Specialist." Far from conceding any right in plaintiff to protection of its marks, he disputes their validity (pp. 18-19, *supra*).

Nor has his attorney made any such promise on his behalf. On the contrary, if we properly understand his counsel's position, it is that Church is well within his

rights in using the phrase "Volkswagen & Porsche Service" without the word "independent," just as he was doing before the litigation commenced. This was also Church's position at the trial (RT 1017-1018).

(3) *Dismissal of the complaint vindicates defendant and invites renewed invasion of plaintiff's goodwill.*

Even under the limited view of plaintiff's rights taken by the court below, this is not a case of inadvertent and short-lived infringement quickly brought to an end and which there is no likelihood will recur. Here, the incursions on plaintiff's goodwill antedated the complaint by a good five years; these infringements were persisted in despite plaintiff's objections and under cover of promises to discontinue; and they came to an end only when judicial relief seemed imminent.

Because of the type of trademark infringement here involved, delineation of plaintiff's rights and of defendant's affirmative obligations is peculiarly necessary. Unlike the usual case of trademark infringement, where the defendant clears himself of misconduct simply by abandoning use of the infringing mark, Church, here, is continuing to use, and daily will be using, plaintiff's marks on his signs, in his advertising and on his stationery. Trademark infringement thus remains a constant hazard.

Moreover, the situation is one in which there is always present the temptation to poach upon the goodwill built up for the businesses and services identified by these marks. Such temptation may well prove as irresistible as it has in the past if this litigation ends in what appears to be complete vindication for defendant.

The Restatement of Torts, section 744, quoted with approval by this Court in *Stork Restaurant, Inc., v. Sahati*, *supra*, 166 F.2d 348, 362 (9th Cir. 1948), notes that an injunction properly issues "[a]s a means of establishing and vindicating the plaintiff's right * * * even though the defendant ceases his improper conduct."

“Thus, if the defendant disputes the plaintiff’s right, an injunction is proper, despite the cessation of the infringing conduct, in order to adjudicate the wrongful quality of that conduct and to protect the plaintiff against its resumption, which, in view of the dispute, may be likely. Similarly, if the defendant engages in his conduct with knowledge of the plaintiff’s interest, cessation of the conduct upon notice from the plaintiff or upon the bringing of the action does not make an injunction unnecessary, for resumption of the conduct thereafter is not unlikely.”

Vindication of plaintiff’s right is peculiarly imperative in view of the fact that Church made it plain through his counsel that he would not respect plaintiff’s right in its mark without such vindication. In 1962 he refused in any way to qualify his claim on his repair order form to sell “Volkswagen & Porsche Service” and told plaintiff to go to court for relief (P. Ex. 54).

The active part taken by Church shortly after the complaint herein was filed in the formation of an organization of workshops, like himself, for the purpose of securing recognition of their use of plaintiff’s trademarks (RT 1019-1024, 1040-1041) shows that when Church threw down the gauntlet and challenged plaintiff’s right to protect its trademarks, he was acting with considerable deliberation and presumably in the expectation of support from others like himself.

Members of this larger group can only be encouraged in the use of plaintiff’s trademarks in a misleading and ambiguous fashion if it appears that all they need do to defeat any right in plaintiff to relief is to abandon their most egregious misconduct after a complaint is filed.

The time of the courts will be taken up with repetitious and unproductive proceedings in the absence of any definitive declaration of rights.

Plaintiff is not asking the Court in any way to interfere with Church’s right to tell the public that he services

Volkswagen cars. It is asking for a shield, not a sword. It is not seeking to have Church "mulcted in damages" nor "to drive [him] out of business." *Stork Restaurant, Inc. v. Sahati, supra*, 166 F.2d 348, 364 (9th Cir. 1948). It prays merely that he be compelled to desist from doing business under its banner.

C.

Injunctive relief will serve public interest and safety.

Any case of trademark infringement and unfair competition affects not only the parties immediately concerned, but also the public. In fact, one of the purposes intended to be served by the Lanham Act "is to protect the public so it may be confident that, in purchasing a product bearing a particular trademark which it favorably knows, it will get the product which it asks for and wants to get." S. Rep. No. 1333, 79th Cong., 2d Sess., 3 (1946).

But the public interest is peculiarly strong where automobiles are involved. Fifty years ago, this Court pointed out some of the reasons why it is important to a consumer to buy his car from an authorized representative of its manufacturer:

"The purchase of an automobile is not like the purchase of a sack of potatoes. An automobile is a complex mechanism, designed to be used for an indefinite length of time. Parts wear out and must be replaced. The ordinary purchaser realizes that he is incompetent to judge whether in all respects an offered car is up to the manufacturer's advertised standard. It is a consideration of some importance to him to be able to deal with the maker or its recognized agent. He desires the assurance that the article he purchases is standard; that it has the maker's guaranty; that he will be able to procure parts and accessories as he may need them; and, of course, that no question will be raised touching his title." *Ford Motor Co. v. Benjamin E. Boone, Inc., supra*, 244 Fed. at 338.

Parallel, and perhaps even stronger, reasons make it a consideration of some importance to the motorist whether the service station to which he takes his car for repair operates under the aegis and control of the original manufacturer.

If the average purchaser is incapable of judging whether a car's performance is up to standard, he is totally at sea regarding the competency and adequacy of service performed outside his presence upon a complex mechanism. Yet more than his pocketbook may be involved. His very life may depend upon the care with which the work is done. Defective repairs can be fully as lethal as defective manufacture.

Fully aware of the hazards involved in improper service, many a motorist desires to do business only where he can be certain that the original manufacturer has trained the men working on his car, provides and guarantees the parts used in its repair and supervises the quality of the service done. If he is duped by misleading signs into patronizing a place in which he enjoys none of this protection he has been vitally prejudiced.

As this Court can take judicial notice, thousands of motorists from all parts of the United States visit California each year. It may be that the service and repair work done by Church is in all respect the equal of that done under plaintiff's supervision and that the parts he buys are just as reliable. But the fact remains that he employs mechanics who have not received the training plaintiff deems essential; he uses repair parts which have not passed its quality control; and the work he does is unsupervised.

The judgment entered below will encourage him, and the hundreds of other garages like his, to try to pass themselves off on the touring stranger as authorized facilities by all the devices which now appear to have judicial approval: lavish display of claims of "Volkswagen Service"; imitation of the color combination, blue and white, and the lettering, "Memphis Bold," associated with plaintiff; use

of "Volkswagen" on business signs in a fashion similar to a trade name; and generous featuring of pictures of plaintiff's best known product, the small sedan.

Plaintiff's goodwill and reputation will necessarily suffer. But, what is equally important, the public at large, including the stranger touring California, will be defrauded.

At the very least, the practices in which defendant engaged until litigation began should have been enjoined. This is necessary to discourage their resumption by defendant and their imitation by others. But complete protection of the public requires more. For the public to be able to rely in the future, as it has in the past, upon the meaning of the word "Volkswagen" when used in connection with a garage, the exclusive right to its use as a trade name, trademark and service mark must be restored to the authorized Volkswagen organization. This means that defendant should be enjoined from using that word as he is now doing and should be confined to employing it solely in a descriptive way to advise the public that he stands ready to repair Volkswagen vehicles.

CONCLUSION

For the foregoing reasons, Volkswagenwerk Aktiengesellschaft respectfully requests this Court to reverse the judgment entered below and to remand the case to the lower court with directions to grant plaintiff the injunction prayed for in the complaint.

November, 1967.

Respectfully submitted,

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*Appendix A***Article 10^{bis}**

(1) The countries of the Union are bound to assure to persons entitled to the benefits of the Union effective protection against unfair competition.

(2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.

(3) The following in particular shall be prohibited:

1. all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities of a competitor;
2. false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities of a competitor;
3. indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose or the quantity of the goods.

Article 10^{ter}

(1) The countries of the Union undertake to assure to nationals of the other countries of the Union appropriate legal remedies to repress effectively all the acts referred to in Articles 9, 10 and 10^{bis}.

* * *

The relevant provisions of the Trademark Act of 1946, 60 Stat. 437 (1946), as amended, 15 U.S.C., sections 1051 *et seq.*, are as follows:

15 U.S.C., section 1065:

Except on a ground for which application to cancel may be filed at any time under subsections (c) and (e) of section

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1064 of this title, and except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of the publication under this chapter of such registered mark, the right of the registrant to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable: *Provided, That—*

* * *

(3) an affidavit is filed with the Commissioner within one year after the expiration of any such five-year period setting forth those goods or services stated in the registration on or in connection with which such mark has been in continuous use for such five consecutive years and is still in use in commerce, and the other matters specified in subsections (1) and (2) of this section; and

(4) no incontestable right shall be acquired in a mark which is the common descriptive name of any article or substance, patented or otherwise.

15 U.S.C., section 1114:

(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

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(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.

shall be liable in a civil action by the registrant for the remedies hereinafter provided.

15 U.S.C., section 1115:

(a) Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of registrant's exclusive right to use the registered mark in commerce on the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered.

(b) If the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the affidavit filed under the provisions of said section 1065 subject to any conditions or limitations stated therein * * *.

15 U.S.C., section 1116:

The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant

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injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent Office.

* * *

15 U.S.C., section 1121:

The district and territorial courts of the United States shall have original jurisdiction and the courts of appeal of the United States shall have appellate jurisdiction, of all actions arising under this chapter, without regard to the amount in controversy or to diversity or lack of diversity of the citizenship of the parties.

15 U.S.C., section 1126:

* * *

(b) Any person whose country or origin is a party to any convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition, to which the United States is also a party, or extends reciprocal rights to nationals of the United States by law, shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention, treaty or reciprocal law, in addition to the rights to which any owner of a mark is otherwise entitled by this chapter.

* * *

(g) Tradenames or commercial names of persons described in subsection (b) of this section shall be protected without the obligation of filing or registration whether or not they form parts of marks.

* * *

(h) Any person designated in subsection (b) of this section as entitled to the benefits and subject to the pro-

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visions of this chapter shall be entitled to effective protection against unfair competition, and the remedies provided in this chapter for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition.

15 U.S.C., section 1127:

* * *

The terms "trade name" and "commercial name" include individual names and surnames, firm names and trade names used by manufacturers, industrialists, merchants, agriculturists, and others to identify their businesses, vocations, or occupations; the names or titles lawfully adopted and used by persons, firms, associations, corporations, companies, unions, and any manufacturing, industrial, commercial, agricultural, or other organization engaged in trade or commerce and capable of suing and being sued in a court of law.

The term "trade-mark" includes any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others.

The term "service mark" means a mark used in the sale or advertising of services to identify the services of one person and distinguish them from the services of others. Titles, character names and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor.

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The applicable provisions of the California Business and Professions Code are as follows:

Section 14200:

Composition of mark. Except as otherwise provided in this chapter, a trade-mark may consist of any form, symbol, or name.

Section 14270:

Original owner. Any person who has first adopted and used a trade-mark, whether within or beyond the limits of this State, is its original owner.

Section 14300:

Injunction. Any court of competent jurisdiction may restrain, by injunction, any use of trade-marks in violation of the rights defined in this chapter and the use of any trade-mark registered in the office of the Secretary of State.

Section 14400:

Original owner. Any person who has first adopted and used a trade name, whether within or beyond the limits of this State, is its original owner.

Section 14402:

Injunction. Any court of competent jurisdiction may restrain, by injunction, any use of trade names in violation of the rights defined in this chapter.

Appendix B

Exhibits

[RULE 18(2)(f) OF THE RULES OF THE UNITED STATES
COURT OF APPEALS FOR THE NINTH CIRCUIT]

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